ACORN CAPITAL MICRO OPPORTUNITIES FUND

April 2022

Fund Update

The Acorn Capital Micro Opportunities Fund (Fund) declined -3.7% in April versus the S&P Emerging Companies Accumulation Index (XECAI) benchmark decline of 4.3%. The portfolio held 69 stocks across 11 industries with the Top 10 Holdings representing 25.9% (23.7% in March) of the Fund. Cash levels at month end were 4.6% (vs 9.0% in March).

The 3 largest industry exposures are Resources (19.5%), Energy (14.4%) and Consumer Discretionary (13.4%). The portfolio held 55% (vs 50% in March) in Expansion stage companies, being a deliberate strategy to increase from 48% in February, with exposure to Mature Growth companies at 7% and exposure to early-stage companies at 34% (same in March).

With increasing focus on inflation and rising rates along with the spectre of Stagflation, growth sectors (IT, emerging Industrials and Communications) have continued derating. Offsetting this, commodity markets again remained robust in April, which supported the portfolio along with Staples and selected Consumer names. The portfolio continues to maintain a maximum 20% exposure to the resources sector given the positive structural view Acorn Capital holds in this sector and as mentioned last month the energy exposure has increased (14.4% compared to 7.4% at 31st Jan) presenting 34% combined exposure to rising commodity prices.

The IT sector continues to derate falling 9.5% in April, after a 17% fall in March and Communications sector followed with an 11.2% benchmark decline. Small cap Software stocks have now declined 34% since their November 2021 peak. The sector was not assisted by quarterly updates from 360, KGN, MP1, RBL & SOV coming in below market expectations. Acorn Capital estimate Median forward EV/Rev multiples have declined from 5.4x to 3.5x and strategy statements have clearly shifted from growth only focused, to the pathway of positive cash flow. A very high proportion of our IT and Communications portfolio are either OPCF positive or will be within 1-year and hold sufficient cash reserves >2-years cash requirements.

Fund Performance as at 30 April 2022

Performance (%)	1 mth	3 mths	6 mths	FYTD	1 yr	Inception
Acorn Capital Micro Opportunities Fund*	-3.7	-3.6	-11.1	2.2	4.3	72.2
S&P/Emerging Companies Accumulation Index**	-4.3	3.9	-0.3	23.3	24.3	108.3
S&P/ASX Small Ordinaries Accumulation Index	-1.5	3.7	-4.6	-0.4	2.9	35.3

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

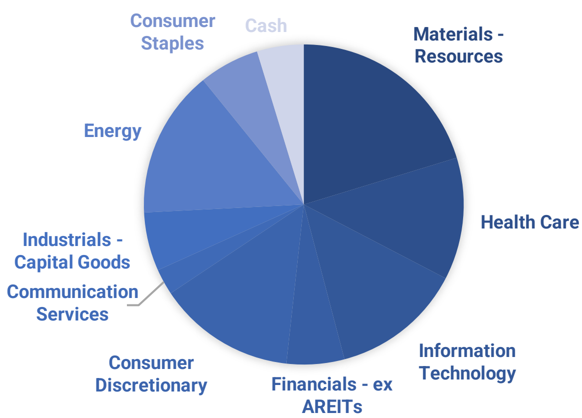
Net Return of $50,000 invested since inception

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.

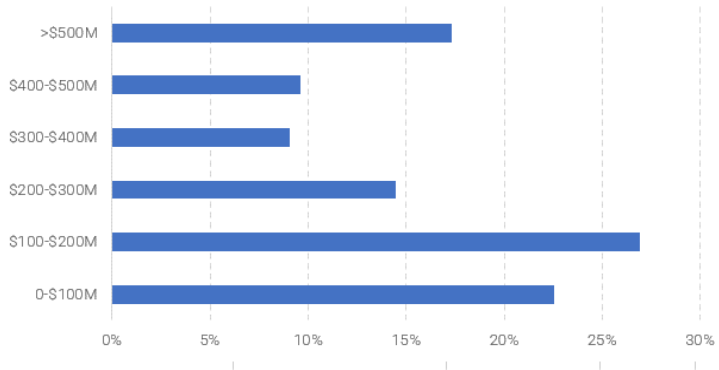
Top 5 Holdings (alphabetic order)

Company		Sector	Development stage
autosports group	Autosports Group	Consumer Discretionary	Expansion
BOSS ENERGY LTD	Boss Energy	Oil & Gas	Early
envirosuite	Envirosuite	Information Technology	Early
MAGGIE BEER HOLDINGS	Maggie Beer Holdings	Consumer Staples	Expansion
SRG GLOBAL	SRG Global	Consumer Staples	Expansion

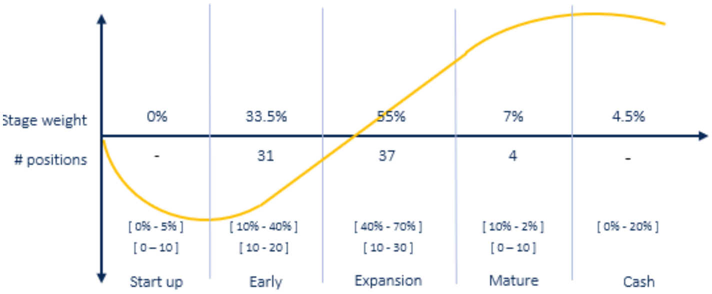
Sector Exposure



Market Capitalisation Exposure



Stage of development



Fund Review

The Fund's performance in April was a result of positive performance in Industrials, Materials–ex Resources (10.8%) Consumer Discretionary and Staples (+2.5%, and +0.4%) being offset by negative returns in IT, Financials, Industrial Capital Goods (-13.3%, -10.6% and -8.5%) over the month.

Notable positive stock performers during the month include:

Icollege (+20%) is well positioned for the surge in returning international students. Having remained in market during the pandemic, they should now secure a higher market share of ELICOS students, which will flow through to further diploma and degree courses in FY23-FY24 with greater revenue. The GoStudy Agency provides a strong pipeline of students, whilst the early signs are evident in deferred revenue liabilities increasing 66% since Dec 2021 as students pay in advance, setting up for record students by July 2022.

Boss Energy (+20%) performed strongly on a combination of rising uranium prices and the ongoing impact of sanctions of Russia. Boss has a uranium mine in South Australia that is on care-and-maintenance so can quickly returned to operation with modest up-front capital.

Aroa Biosurgery (+15%) reported full year revenue at the top end of guidance (March year-end), with revenue growing 81%YoY to NZ$39.2m (NZ$37.7m on a constant currency basis). Gross margins continue to increase into the mid 70% range highlighting improving scale and favourable product mix. Aroa is very well positioned moving into FY23 with positive operating momentum across its portfolio of regenerative products and healthy balance sheet (NZ$56M).

Syrah Resources (+22%) surged on a positive quarterly update, improved prices for the graphite they produce and announcement of a US Government debt facility. Syrah is working to become a large and fully integrated supplier of graphite (used for anodes in batteries) outside of China.

Notable negative portfolio contributors during the month were:

Carnarvon (-25%) fell heavily on a disappointing result from an exploration drill well. The company still holds 20% of the exciting Dorado oil/gas project in WA, which should reach FID later this year. We think Carnarvon was oversold and that the company currently represents good value in a market keen for large quality oil assets in stable jurisdictions.

Electro Optic Systems (-23%) announced their CFO resignation. While the departure of a CFO deserves market attention our engagement with the company leaves us satisfied there is nothing concerning in the change, and it is an opportunity to upgrade skills and transparency in the financial function. EOS also reported quarterly cashflow, showing $21.2m operating cash outflow but $29.6m was received from a large export customer on 1st April vs. in the reporting period.

AMA Group (-21%) declined as it reported -$22.9m in quarterly cash outflow as the business came out of seasonally slow summer, which was further impacted by Covid. However, our analysis confirmed that February was operating cash flow positive and March free cash flow positive, as the business sequentially builds momentum. With minimal cash earn outs remaining, we expect to see cash reserves >$58.3m balance as at March.

Impedimed (-17%) reported quarterly activities highlighting $6.5m cash outflow and relatively flat SOZO device sales. They had flagged 3Q cash outflow as a one off but the lack of growth in SOZO sales was a negative. The key catalyst for the stock is resolution on whether the use of SOZO is include in the NCCN guidelines. An outcome which is expected in 2H CY2022. We believe the clinical evidence the company has generated from its PREVENT trial makes a strong case for inclusion in the NCCN guidelines.

Fund Details

Fund Facts	
Inception	22nd 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