

# ACORN CAPITAL NEXTGEN RESOURCES FUND

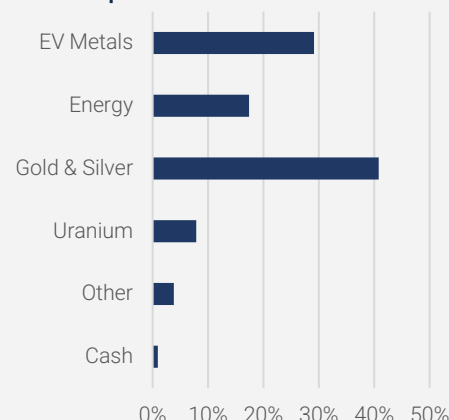


QUARTERLY INVESTMENT UPDATE  
March 2024

## Top 5 Stocks Held

Company	Sector
Karoon Energy	Energy
Meteoric Resources	EV Metals
Perseus Mining	Gold & Silver
Ramelius Resources	Gold & Silver
Red 5	Gold & Silver
Top 5 weight	30.2%

## Sector Exposures

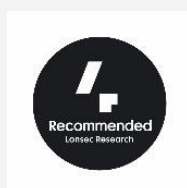


## Fund Overview

APIR Code	ACQ3509AU
Benchmark	S&P ASX Small Resources Index
Distributions	Annual
Management Fee	1.35%
Incentive Fee	20% above benchmark
Highwater mark	Yes
Responsible Entity	Evolution Trustees Ltd
Pricing frequency	Daily
Min investment	\$20,000

## Ratings\*

Lonsec "Recommended"



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## Commentary <sup>1</sup>

The March quarter experienced high volatility, with the NextGen Resources Fund (Fund) generating a return of -2.06% and the benchmark +1.45%. The two extremes for the Fund were January (down 12.39%) and March (up 13.32%). As we noted in the January monthly report, the sharp fall in early 2024 was driven by a combination of a pullback in stocks associated with energy metals (especially lithium and rare earths) and broad falls across the microcap resources sector. Although this volatile performance was frustrating at the time, our decision to follow our established Acorn Capital investment process was rewarded in March when much of the decline was recovered.

The January monthly report also noted a dislocation that had developed in microcap resources stocks where almost all companies, regardless of quality, were heavily sold off. In February and March, there was a strong correction of this dislocation. For example, stocks that fell sharply in January but recovered well in February/March included Wildcat Resources (down 42.5% in January then up 52.3% for the quarter to March), Patriot Battery Metals (down 28.9% in January to end at up 23.3% up for the quarter) and Meteoric Resources (down 26.9% in January to end at up 37.1% for the quarter). In contrast, there were many companies with lower quality assets that did not recover. For instance, Core Lithium, Piedmont and Hastings experienced falls in January of 22.0%, 44.2% and 19.7%, respectively, and in February/March all three companies continued their declines, and falling another 20.5%, 16.7% and 25.2%. This strong rebound by heavily sold stocks with quality assets was a major driver of the positive March performance by the Fund (up 13.32%).

After the volatility of the March quarter, investors are wondering where the market is likely to head from here. At Acorn Capital, we believe this heightened volatility was part of a correction that has been occurring over the last 12-15 months. During the hype of the 'critical minerals' boom, many microcap stocks flourished on high-quality promotion rather than high-quality assets. In 2023, there was a slow but steady shake-out of many poor-quality assets; and the March quarter 2024 was the final rinse and spin. Furthermore, we think a large dislocation still remains between the larger companies (largely comprising producers) and smaller stocks (largely developers and explorers) regardless of commodity. Therefore, we believe strong potential exists for an ongoing rebound in the microcap resources & energy stocks with high-quality assets.

## Performance

	Since Incept. % pa.	3 year % pa.	1 year %	6 month %	3 month %	1 month %
NextGen Resources Fund <sup>2</sup>	10.68	7.83	0.87	0.97	-2.06	13.32
Benchmark	8.25	7.55	-2.75	7.31	1.45	8.48
Alpha	+2.43	+0.29	+3.62	-6.34	-3.51	+4.83

## Quarterly Attribution

Contributors		
Company	Sector	Impact %
Cooper Energy	Energy	2.25
Red 5	Gold & Silver	1.53
Boss Energy	Uranium	0.92

Detractors		
Company	Sector	Impact %
Winsome Resources	EV Metals	-0.96
Bellevue Gold	Gold & Silver	-1.07
Gold Road Resources	Gold & Silver	-1.52

1. Commentary for month of March 2024 2. Net performance is based on redemption price for the period, after all fees and costs. Assumes all distributions are reinvested.



INNOVATION



EFFICIENCY



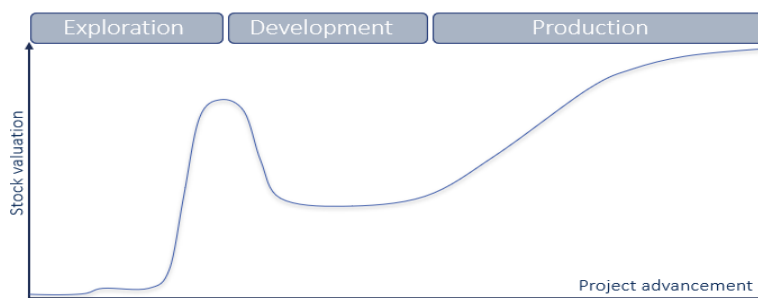
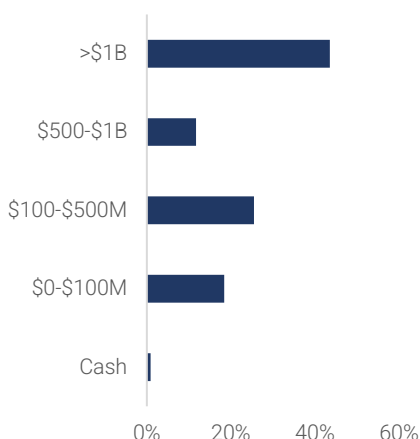
GROWTH



DIVERSITY

## Lassonde Curve

### Market Cap Bands



Stage 1	Start Up	Early			Expansion			Mature	Cash
		1	2	3	1	2/3	4		
Weight% <sup>2</sup>	0	26	3	12	12	30	17	0	1
Holdings <sup>3</sup>	0	14	1	3	4	7	4	0	0

### Fund Commentary

The Fund was down in the March quarter (-2.06%) versus the benchmark (up 1.45%). The best performers for the Fund included 2 producers and 2 developers, spread across domestic gas, gold and uranium. Similarly, the spread of development stages for the top-performing companies (albeit missing explorers) was another encouraging feature of performance.

The best performers in the March quarter were:

**Cooper Energy (gas producer; up 69.2%)** reported positive production data from its Orbest Gas Plant in eastern Victoria after several years of poor performance. There is more work to be done, but the plant should now be generating solid cash flow. Also, good progress was reported on the abandonment work for several disused wells in Bass Strait. We remain cautiously positive on Cooper, due to moderately high debt levels and a capital-intensive 18 months ahead.

**Red 5 (gold producer; up 22.6%)** rose on a combination of a strengthening gold price, good production data and a merger with Silver Lake Resources. The newly merged company is likely to move into the ASX200 and there is a possibility that the 11.9% of RED that Silver Lake currently owns will be cancelled, thus providing an uplift in share price. We think the merger is positive for Red 5 and remain positive on the stock.

**Boss Energy (uranium developer; up 18.4%)** rose on a combination of strengthening uranium spot price and Term Price (used in long-term contracts by power utilities). Boss is in the final stages of construction and commissioning of its Honeymoon Well project in South Australia. The company also owns 30% of a uranium project in Texas that is coming into production in the coming months.

**Paladin Energy (uranium developer; up 39.1%)** also benefited from rising uranium prices. The company appears to be slightly ahead of schedule to start production at its operation in Namibia.

Detractors in the March quarter were:

**Gold Road Resources (gold producer; down 19.6%)** fell after announcing poor production data for the December quarter and a downgrade for FY2024. This was disappointing after 2 positive quarters. We reduced our holding in the stock over management concerns but expect operational improvements from the June quarter as new site personnel take control.

**Bellevue Gold (gold developer; down 45.2%)** fell in early January on market concerns about the commissioning of its new operation. Unfortunately, after we exited the stock, the company announced some positive production data and the share price rebounded. Commissioning is a risky part of the development/production cycle, so we continue to watch the company closely.

**Winsome Resources (lithium explorer; down 38.5%)** fell during the heavy sell-off of lithium explorers in January. Although we consider Winsome to be one of the quality lithium stocks on the ASX, we switched most of the position to Patriot Battery Metals, which has one of the best undeveloped lithium projects in the world and >\$120m of cash.

**Lunnon Metals (nickel developer; down 62.5%)** fell sharply on a negative outlook for nickel in the short- to medium-term. We were also concerned that BHP would close its nickel concentrator in Kambalda (which it did) and leave Lunnon with a stranded asset. Low liquidity in Lunnon make the exit slow, thus the large fall before finally exiting.

1. Stage of development as defined by Acorn Capital. 2. Rounding may result in weight not totalling 100% 3. Number of holdings as at month end date

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