

# ACORN CAPITAL MICRO OPPORTUNITIES FUND

31 OCTOBER 2021



## Fund Update

The Acorn Capital Micro Opportunities Fund (Fund) returned a robust 5.1% in October versus the S&P Emerging Companies Accumulation Index (XECAI) benchmark return of 4.2%. The portfolio held 72 stocks across 11 industries with the Top 10 Holdings representing 25.8% of the Fund. Cash levels at month end were 4.2%.

The 3 largest industry exposures are Resources (19%), IT (16%) and Consumer Discretionary (13%). The portfolio held a 50% (vs 49% in September) exposure to Expansion stage companies, with exposure to Mature Growth companies 7% (5%) and exposure to early-stage companies at 39% (38%). The return generation pleasingly saw positive returns in 9 industry sectors led by Communications, Energy and Resources, with 8 sectors outperforming the benchmark. Further, the 5.1% performance was a strong return against the Small Ordinaries Index returning 0.9%.

Whilst the market performance moderated compared to September's 7.7% momentum, October's 4.2% XECAI benchmark return was still very concentrated in specific themes in Resource (predominantly Lithium), Environment and M&A activity. On the latter, over the last few months the Fund has benefited from positions in Huon, Rhipe, Praemium and now Over The Wire receiving a non-binding bid. Other notably activity occurred in Class, Cardno, Superloop and Swick. We expect further activity whilst debt and equity remains cheap, but are not making investments relying on this in our thesis.

The Fund's strongest performance came from Communications (+13%) led by Field Solutions with an accretive strategic acquisition, followed by both Resource and Energy adding 10% with broad contribution in resources from lithium, copper, nickel and cobalt, while energy continues to benefit from the early resurgence in uranium demand reflecting investor optimism that nuclear energy will participate in the clean energy transition. The Industrial Capital Goods declined 5% but sector allocation is only 2.5% of the portfolio.

## Fund Performance as at 31 October 2021

Performance (%)	1 mth	3 mths	6 mths	FYTD	1 yr	Inception
Acorn Capital Micro Opportunities Fund*	5.1	9.7	16.0	13.8	36.3	91.1
S&P/Emerging Companies Accumulation Index**	4.2	20.4	24.7	23.7	60.3	108.9
S&P/ASX Small Ordinaries Accumulation Index	0.9	3.7	7.9	4.4	31.0	41.9

\* 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

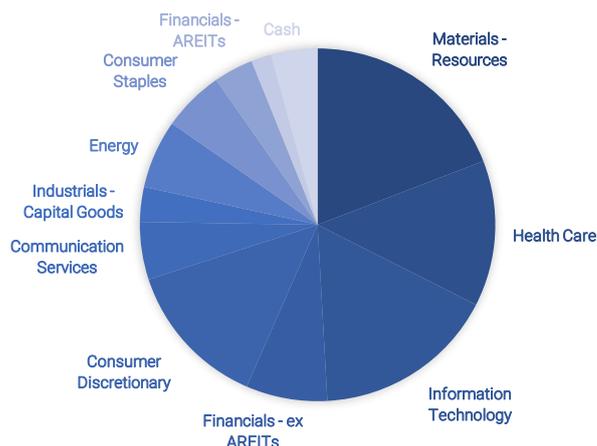


The above chart represents the return on \$50,000 invested in the Acorn Capital Micro Opportunities Fund at its inception on 22 May 2020, net of all management fees and assuming reinvestment of distributions. No allowance has been made for tax.

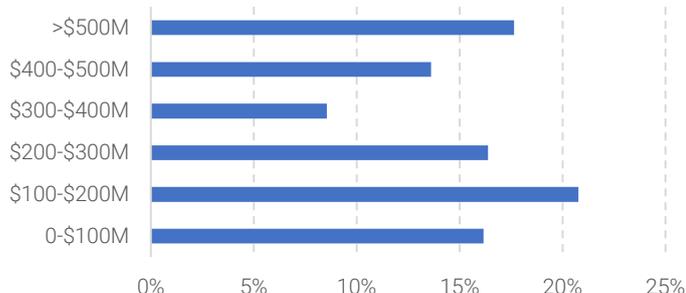
## Top 5 Holdings (alphabetic order)

Company	Sector	Development stage
Access Innovation Holdings	Information Technology	Early
Autosports Group	Automotive Retail	Expansion
Envirosuite	Information Technology	Early
Jervois Mining	EV metals (copper-cobalt)	Expansion
Wisr	Financials - ex AREITs	Expansion

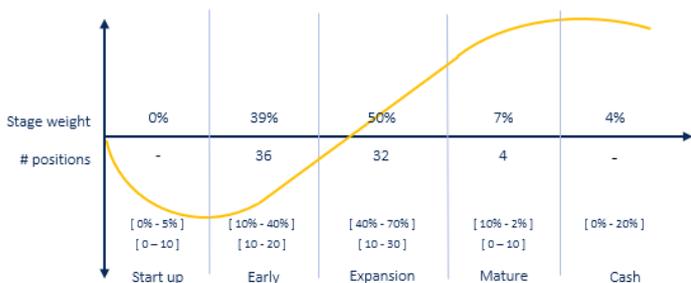
## Sector Exposure



## Market capitalisation exposure



## Stage of development



## Fund Review

The Fund's 5.1% performance in October was driven by continued strong performance in Resources (+10%) being the largest sector weight, and supported by Communications (+13%), Energy (+10%) and IT (+5%). The Industrial Capital Goods (-5%) and Materials Ex-Resources (-1%) sectors had the greatest drag on the portfolio over the month.

Notable positive stock performers over October include:

**Sunstone Metals** (+205%) rose strongly after announcing positive drilling results at its El Palmar copper-gold project in Ecuador. The exciting feature of the drill result is the 480-m-thick intercept started very close to surface so the project has the potential to start with a large open cut mine. It's early days but we remain excited.

**Envirosuite** (+29%) produced a strong 1Q result with \$1.7m new ARR added in 1Q lifting to total ARR to \$48.6m, led by its Omnis product in USA where climate monitoring is increasingly topical. The new Water division secured WA Watercorp as a major cornerstone client that also provide validation for future clients. Separately, joining NASA's program to reduce sonic boom in new aircraft, provides a significant future revenue stream that will expand, and high validation for further North American expansion.

**Field Solutions Group** (+27%) acquired Tasmanet bringing \$19m of revenue, \$1.25m EBITDA before synergies of >\$1.2m. Synergies achieved from removing duplication DC's, backhaul as they merge two networks into one, a proven management team remaining and providing the capability for FSG to skill up and roll out the 16 network projects they have planned.

**Impedimed** (+48%) rose on the back of announcing its long awaited PREVENT trial had met its primary endpoint. The study followed 1200 patients over 3 years and generated statistically significant results in favor of IPD's L-Dex technology for the early detection (enabling early intervention) of cancer related lymphoedema. This level 1 evidence is vital for the company to actively engage with private insurers in the US and support broader commercial activities.

**Vimy Resources** (+33%) continues to benefit from the rising uranium price because of its development project in Western Australia that only requires a secondary approval to achieve FID (final investment decision) and commence construction.

Vimy has performed strongly since our first investment, and we remain positive on its outlook.

Notable negative portfolio contributors during the month were:

**Damstra** (-23%) fell confirming that Newmont Mining was winding down their contract in Australia but maintaining US and Canadian operations. We believe pipeline of prospects remains strong but the management needs to focus on building and maintaining existing client relationships. We have held our position and will monitor progress.

**Aust Rare Earths** (-14%) consolidated after recent strong performance. AR3 appointed Don Hyma as Managing Director, bringing 30 years of mining and project development and management experience. Drilling commenced in October and results should start flowing from about mid-November.

**Comet Ridge** (-11%) consolidated after very strong performance in September. The company is current drill 3 wells at its Mahalo North project that will be flow tested early in 2022. Data from the flow testing will be used for the feasibility study and decision to develop.

**Control Bionics** (-28%) quarterly update showed limited cash receipt growth. The company develops assistive communication solutions for people living conditions such as ALS, motor neuron disease and spinal muscular atrophy. The COVID-19 pandemic has impacted the company's ability to access its target patient population, who typically trial the communication devices as part of the sale process. The company continues to raise its brand awareness through social media and other digital tools and continues to diligently invest in its human capital, global organisational infrastructure, and new product development.

## 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>Benchmark</b>	S&P/Emerging Companies Accumulation Index
<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

### 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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