

ACORN CAPITAL MICRO OPPORTUNITIES FUND

FACTSHEET



Key benefits

Investors in the Acorn Micro Opportunities Fund receive the following:

1. A diversified portfolio of Australian microcap companies

Acorn Capital (Acorn) constructs microcap portfolios from the full universe of ASX sectors, the full range of company development stages, and both listed and unlisted IPO opportunities.

2. Investment management by Australia's most experienced microcap fund manager

Acorn is the pioneer of Microcap company (microcap) investing and is Australia's longest running specialist microcap fund manager.

3. Strong fee alignment and capacity management

- A performance fee will only be paid if the fund's returns are above both the benchmark and 0%
- Acorn will hard close the fund at \$150m, thereby preserving and optimizing return potential for existing investors

What are microcaps?

Microcaps are amongst the most dynamic companies listed on the Australian stock exchange (ASX). They have a market capitalisation of less than \$500 million. Compared to larger capitalisation (large cap) companies, Microcaps are typically younger, faster growing, and more innovative. Such companies often report greater increases in sales, profitability, and productivity than older, larger and less innovative companies. Further, they are often require capital to fund higher growth and the fund is positioned to provide growth capital.

Why microcaps?

Microcap investing provides exposure to earlier stages of a company's development, with the majority of microcap businesses being in (or about to enter) the growth or expansion stages of their lifecycle. Microcaps also provide exposure to different investment themes than large cap companies. For example, the ASX microcap segment has greater industry diversity and is less concentrated in Financial and Resources companies than the large cap segment.

Investment team

Acorn employs the largest 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

- o 15 years industry experience, joined Acorn Capital in 2007
- o Portfolio Manager and Head of Portfolio Implementation
- o Analyst for the Healthcare and Biotechnology sectors
- o Prior career at PwC & IBM Business Consulting



Robert Bruce

- o 23 years industry experience, joined Acorn in 2014
- o Portfolio Manager and Head of Research
- o Analyst for the Consumer and IT sectors
- o Prior career at CLSA, UBS Warburg, Kaplan Funds Management and Westpac Institutional Bank



INNOVATION



EFFICIENCY



GROWTH



DIVERSITY

Investment objectives

The fund aims to:

1. Outperform the S&P ASX Emerging Companies Accumulation Index (the benchmark) over rolling 3 year periods
2. Generate its returns with lower volatility than the benchmark

Investment strategy

Acorn seeks companies displaying sustainable competitive advantages and investment risks that are commensurate with their return potential. These advantages are usually underpinned by innovation and come in many forms: a technology, a drug, a business process, intellectual property, a brand, or being first to market. Investment risks vary considerably by both industry and by stage of company development: Start Up, Early, Expansion, or Mature Growth stage.

Acorn also seek portfolio diversity, believing opportunity can be found in all industries and at all stages of company development. To capture this return, and to manage portfolio risk through diversification, Acorn's large team of industry-experienced analysts scour the full investment universe. This include sectors and stages of company development that many other managers find too difficult to assess, such as Biotech, Resources, and Early stage companies. The resulting short list of best ideas then undergoes an extensive due diligence process, with research to establish each company's true sustainable competitive advantage, and its upside potential and downside risk. Ultimately, a well diversified portfolio of 50 - 70 stocks is constructed taking into account each stock's potential return and risk, its sector and stage of development, and each analyst's level of conviction in that stock relative to all other investment opportunities.

The fund can invest up to 10% of net assets in Australian unlisted companies where a liquidity event, such as an IPO or trade sale, is likely within 6-12 months. Further, where insufficient opportunities meet or exceed Acorn's return for risk hurdles the fund will hold cash (up to 20%) until suitable opportunities can be found. The fund may also invest up to 20% of net assets in gold stocks.

Suitable investors

The fund is suitable for wholesale* investors seeking:

- Capital growth through a diversified exposure to Australian microcaps
- An active investment approach
- A long term (5+ year) investment
- A SIV compliant investment

*As defined by the Corporations Act

Fund snapshot

Type	Unregistered Unit Trust
Objective	Exceed the returns of the benchmark over rolling 3 years periods
Objective	Lower volatility than the benchmark
Benchmark	S&P/ASX Emerging Companies Accumulation Index
Investment universe	Australian equities ^{1,2} 80% - 100% Unlisted investments ^{3,4} 0% - 10% Cash 0% - 20%
Stock #	50 - 70
Liquidity	Daily
Investment timeframe	3 - 5 years
Distributions	Semi - annually
Capacity	\$100m (soft) \$150m (hard)
Management fee	0.90% ⁵
Performance fee	20% of returns in excess of the benchmark ^{6,7,8,9}
Sector limits	Minimum of 5 sectors ¹⁰ Maximum of 20% of the fund's net assets allowable in any one sector
Lifecycle stage risk guidelines	Seed / start up 0%-5% Early 10%-40% Expansion 40%-70% Mature 10%-20%
Borrowing	The fund is permitted to borrow up to 5% of NAV to apply to redemptions. Borrowings may not be used to leverage or gear the fund.
Shorting	The fund is long only. The fund is not permitted to short sell securities.
Trustee	Acorn Capital Ltd

1. ASX ex \$500m market capitalization stocks at time of purchase. Up to 30% of fund net assets can be held in Australian companies that subsequently grow beyond \$500m

2. Positions will only be taken in Australian unlisted companies where a liquidity event (e.g IPO, trade sale) is likely within 6-12 months.

3. Unlisted securities may include equity and convertible notes

4. No further purchases can be made in any company that exceeds 10% of the fund's net assets

5. Exclusive of expense recoveries of 15bp (excludes deal related legal fees and deal transaction costs)

6. Subject to prior High Water Mark (HWM) being exceeded (no HWM resets allowed)

7. Subject to the Fund's return also exceeding 0%

8. Calculated after management costs and expense recoverables have been deducted

9. Calculated daily and paid quarterly

10. Acorn defined sectors (GICS or aggregated GICS, with Acorn reclassification of companies where appropriate)

About Acorn Capital

Acorn Capital was established in 1998 as a specialist investment manager in emerging Australian companies. Acorn Capital distinguishes itself through its relatively large research and investment team with expertise across all industries, as well as its provision of expansion capital to developing companies.

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