ACORN CAPITAL MICRO OPPORTUNITIES FUND

June 2022

ACORN CAPITAL
NEXT GENERATION INVESTING

Fund Update

The Acorn Capital Micro Opportunities Fund (Fund) declined 15.6% in June versus the S&P Emerging Companies Accumulation Index (XECAI) benchmark decline of 18.6%. The portfolio held 70 stocks across 10 industries with the Top 10 Holdings representing 28.2% (27.9% in May) of the Fund. Cash levels at month end were 1.7% (vs 3.1% in May).

The 3 largest industry exposures are Resources (17.9%), IT and Consumer Discretionary (both 13.7%). The portfolio held 57.7% (vs 57.7% in May) in Expansion stage companies, with exposure to Mature Growth companies at 8.9% and exposure to early-stage companies remaining at 30.4% (vs 30% in May).

The market selloff experienced in April and May accelerated sharply in June with every sector declining led by increasing fears of global recession, continued tax loss selling and general portfolio reallocation to perceived lower risk areas. We are now seeing company management responding with increased focus on cost control and driving towards positive cash flow rather than the mantra of growth at all costs evident in 2021 strategies. Sector performance shifted with Resources (-25.5%), Energy (-20.5%) and Industrial Capital Goods (-17.7%) falling further whilst negative Consumer Staples was the best performing sector (-2.3%). Companies without sufficient cash reserves to reach cash flow breakeven are now in a difficult position, and we are now seeing discounts increasing substantially in primary capital raises having become relatively narrow in 2021. The fund participated in 3 raises in June taking advantage of the larger discounts, including Cooper Energy's material acquisition of the Orbost gas processing plant.

June's 18.6% XECAI declined topped a tough quarter with a 28.1% decline for the market and erased 1H gains with a full year -7.3% decline. Whilst volatility is expected to be an ongoing market feature, we continue to invest in higher conviction quality businesses which have been heavily sold off and present greater absolute and relative attractiveness, with resulting cash balance reduced to 1.7% in June.

Fund Performance as at 30 June 2022

Performance (%)	1 mth	3 mths	6 mths	FYTD	1 yr	Inception (p.a.)
Acorn Capital Micro Opportunities Fund*	-15.6	-26.4	-30.7	-21.9	-21.9	13.5
S&P/Emerging Companies Accumulation Index**	-18.6	-28.1	-27.9	-7.3	-7.3	23.0
S&P/ASX Small Ordinaries Accumulation Index	-13.1	-20.4	-23.7	-19.5	-19.5	4.2

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

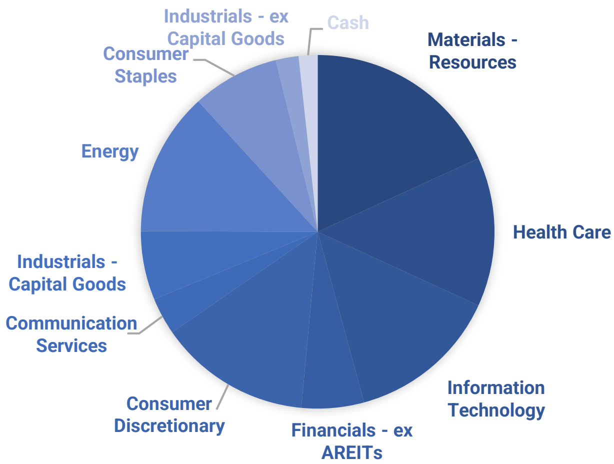
Net Return of $50,000 invested since inception

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.

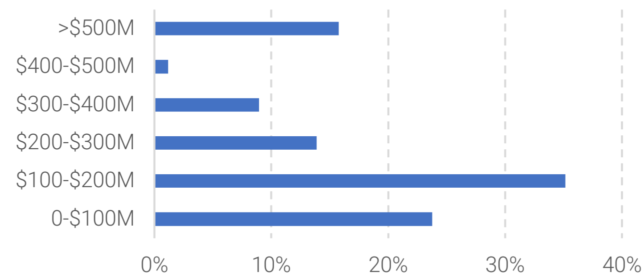
Top 5 Holdings (alphabetic order)

Company		Sector	Development stage
autosports group	Autosports	Consumer Discretionary	Expansion
envirosuite	Envirosuite	IT	Early
iCollege	iCollege	Consumer Discretionary	Mature
	Probiotic Limited	Consumer Staples	Mature
SRG GLOBAL	SRG Global	Consumer Staples	Expansion

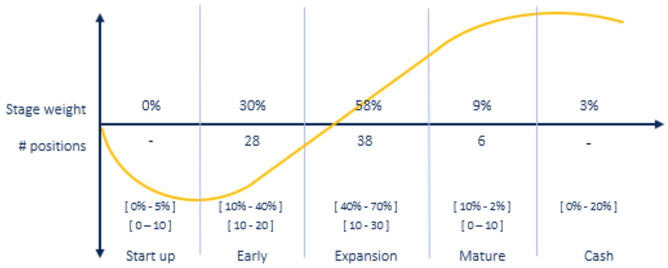
Sector Exposure



Market capitalisation exposure



Stage of development



Fund Review

The Fund's outperformance in June came in tough market trading conditions. The portfolio and its benchmark did not see any positive industry contributions during the month. The Fund's best performing sectors (on a relative basis) were Consumer Discretionary (-6.0% vs -13.8%), Healthcare (-13.2% vs -17.2%) and Communications (-9.8% vs -12.4%). The worst performing sectors were Resources (-27%), Energy (-18.6%) Industrial Capital Goods (-18.1%) and Financials (-18.0%).

Notable positive stock performers during the month include:

Icollege (+15.6%) confirmed 4Q +$8m cash flow up from $5.1m in 3Q as a lead indicator of growing student enrollment. Approval for 4 new bachelor degrees launching in August will boost revenue growth and improve retention rates for their international English language students. Finally, Greenwich English is launching in Brisbane utilizing existing group facilities and capability.

Audinate (+13.7%) we took the opportunity of building a position in a high-quality business which had declined with the IT sector and chip shortage concerns. Audinate is the leading provider of audio networking solutions with its Dante chips and software embedded in >3,000 products from 500 audio equipment manufacturers. Audinate is now expanding into the video market with a significantly larger TAM opportunity. We believe Audinate has built a strong moat with IP and integrated customers, and has an experienced proven management team to execute on future opportunities.

Damstra (+11.1%) has been hammered over the last year, but in recent month's the business has stabilized with two important multi-year contracts with Barrick Gold and Capstone Copper giving it critical masse in North America to build on going forward. With improved cost control and other Australian contract wins, Damstra is now in a sustainable position.

Field Solutions Group (+3.9%) announced a $25m 5-year contract with Kestrel Coal to provide both a managed network and managed services for their mining operations utilising FSG's existing network built around Emerald, Qld and exhibiting the synergies from the acquisition of Tasmanet's capability. We believe there are several other corporate opportunities to give further stand-alone scale outside of the larger but longer-term Neutral Host Pilot and Regional Connectivity Programs that are somewhat policy dependent.

Notable negative portfolio contributors during the month were:

Electro Optic Systems (-48.5%) conducted an unexpected and deeply discounted (22%) $15m equity raise to fund working capital, as supply chain issues relating to a single component impacted shipment volumes. Production was expected to normalise within a week of the raising, allowing the company to resume manufacturing their contracted orders and receive payment, albeit months later than originally expected. EOS is in the late stages of a strategic review, and management expects that this capital will fund the business through the process to maximise shareholder value.

AI-Media (-38.0%) remains under appreciated as the market waits for completion of its transition from high revenue lower margin respeaker model to a more scalable and competitive automated service with lower revenue/minute but substantially higher gross margins. Whilst new enterprise contracts have a long sales cycle to generate more topline growth, AIM is already cash flow positive and continues to buyback its shares.

Red 5 (-35.1%) fell heavily on negative sentiment for gold despite good progress on commissioning of their large and long-life King of the Hills Gold Mine in Western Australia. We recently visited the new mine site and while some ramp-up risks persist, we remain positive on the stock.

Jervois Global (-34.6%) was heavily impacted by negative sentiment for base metals in June, which included a pullback in the cobalt price. The Jervois Finland plant is exposed to high energy prices in Europe, but margins remain healthy and the company has a strong development pipeline over the next 6-18 months. Therefore, we remain positive despite the sharp pullback.

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