



ACORN CAPITAL

Acorn Capital Investment Fund

June 2015 Quarter

(ASX: ACQ)

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ACQ Key Details		ACQ Metrics	
Company	Acorn Capital Investment Fund Limited	Net Proceeds Raised in IPO	\$50.1 million
Manager	Acorn Capital Ltd	Market Capitalisation	\$35.6 million
IPO Date (Inception)	1 May 2014	Gross Market Value of Portfolio ⁽¹⁾	\$45.6 million
Ordinary Shares on Issue (ACQ)	50,820,001	NTA before any Tax Effect⁽¹⁾	\$0.8921
Options on Issue (ACQO)	<ul style="list-style-type: none"> ▪ 50,820,000 ▪ Exercise Price, \$1.00 ▪ Last date for exercise, 24 October 2015 	NTA After Tax⁽¹⁾	\$0.9293
Number of Shareholders	1,123	ACQ Performance Since Inception⁽¹⁾⁽²⁾	-6.9%
Acorn Capital & Shareholders Interest in ACQ	13.4%	XSOAI Since Inception	-0.6%
		Acorn Capital/SIRCA Microcap Acc Index Since Inception ⁽¹⁾⁽³⁾	-0.8%

(1) Unaudited

(2) Portfolio performance is post all operating expenses, excluding management fees, taxes and initial IPO and placement commissions. Performance has not been grossed up for franking credits received by shareholders

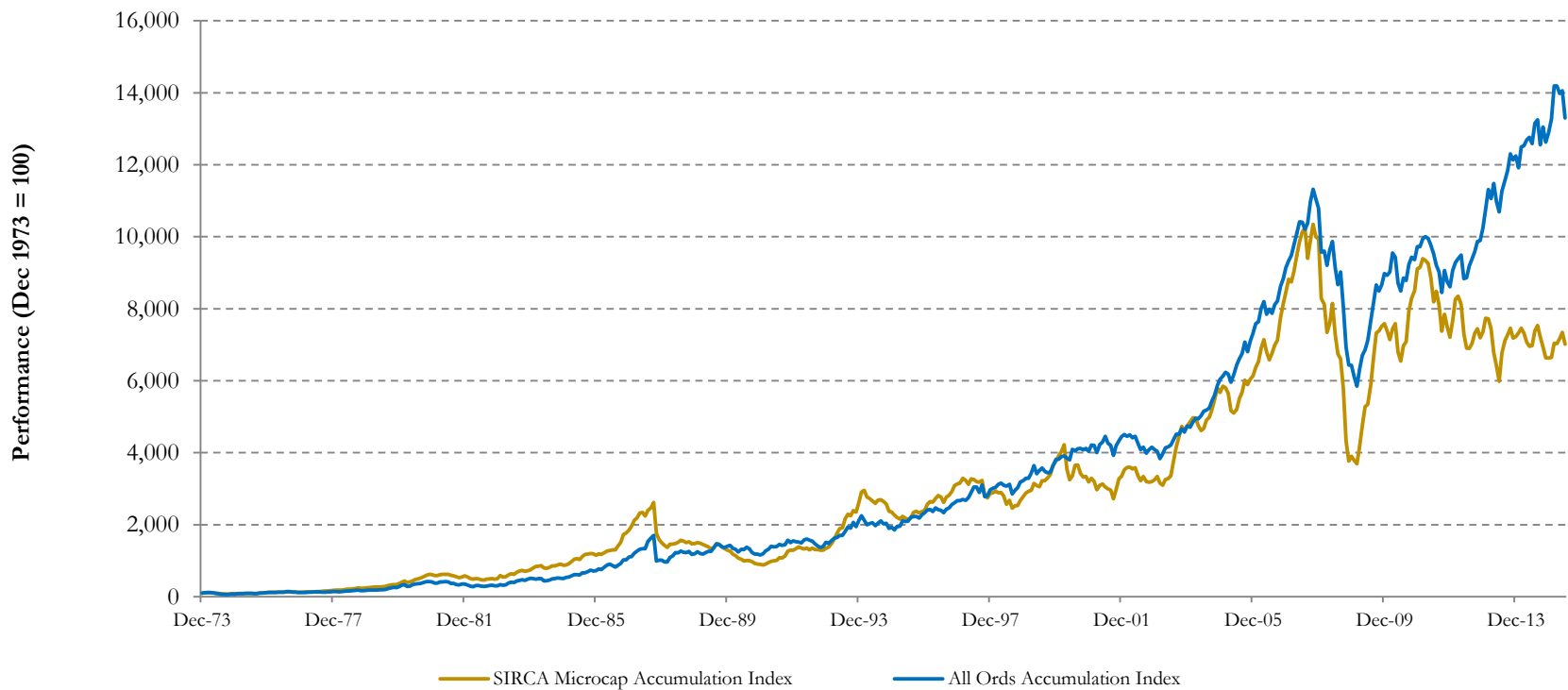
(3) Acorn Capital / SIRCA Microcap Accumulation Index data is verified 3 months in arrears by SIRCA ('Securities Industry Research Centre of Asia-Pacific')

MICROCAP SECTOR

MICROCAPS RELATIVE TO ALL ORDS

- Microcaps have underperformed the All Ordinaries by 54% over the past 4 years
- Close correlation of both markets over 40 years has broken down since 2011
- Acorn Capital believes the breakdown can be attributed to search for yield (in preference to capital growth) and aversion to the Resources sector

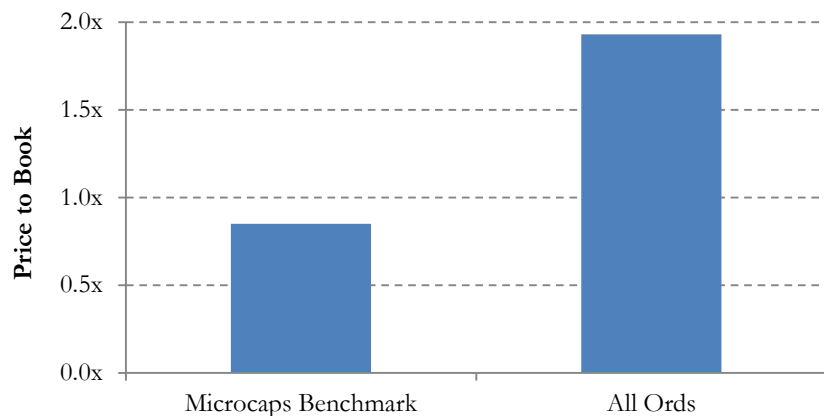
Microcaps Vs All Ordinaries Index 1974 - 2015



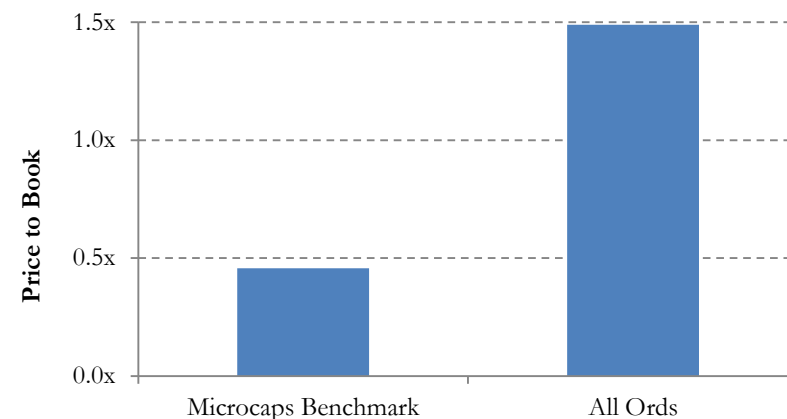
- Acorn Capital believes that on historic metrics the microcap sector represents more compelling relative value than broader market

Microcap v All Ords Price/Book Comparisons for Broad Market & Selected Sectors

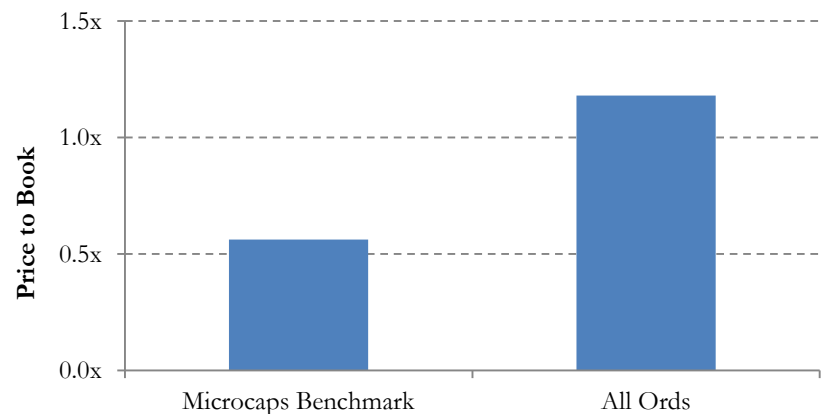
Broad Market



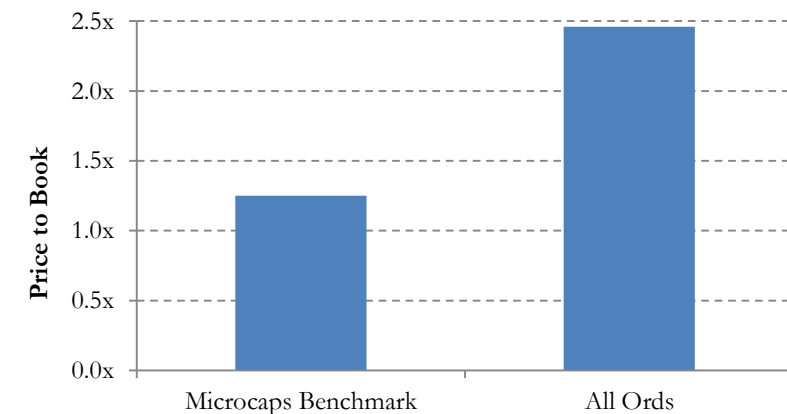
Resources



Energy



Broad Market ex Resources & Energy



Microcap sector return in the June 2015 Quarter was led by Consumer Staples and Telco Services

- Microcap sector return was -0.2% for the June 2015 quarter, relative to the S&P Small Ordinaries Accumulation Index which returned -4.0%.
- Best performing sectors were Consumer Staples (+13.2%), Telco Services (+12.1%) and Information Technology (+2.7%) which had an aggregate Benchmark Weight of 19.1% of the Microcap sector
- The worst performing sectors were Industrials – Capital Goods (-5.1%), Materials ex Resources (-5.0%) and Financials ex AREITs (-4.4%) which had an aggregate Benchmark Weight of 18% of the Microcap sector

Attribution for the 3 months to 30 June 2015

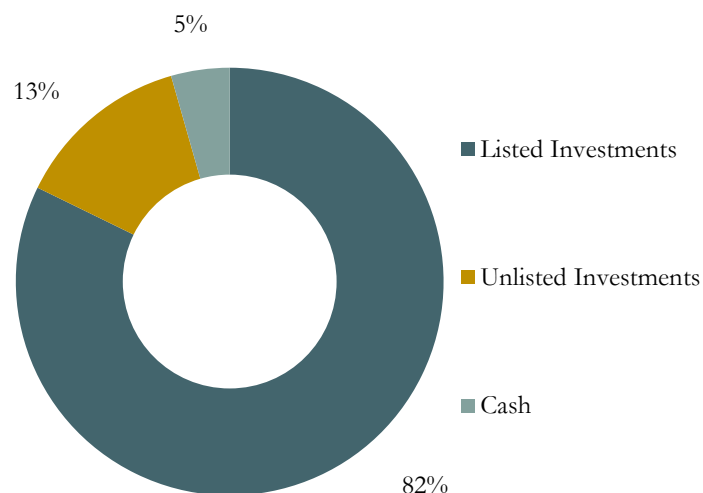
To 30 June 2015	Microcap Benchmark Sector Return (%)	Benchmark Weight (%)
Consumer Discretionary	-1.25%	14.93%
Consumer Staples	13.17%	5.80%
Energy	-4.09%	8.63%
Financials – AREITs	-0.75%	7.47%
Financials – ex AREITs	-4.37%	11.39%
Healthcare	-1.37%	6.63%
Industrials – Capital Goods	-5.07%	5.91%
Industrials – ex Capital Goods	1.01%	6.04%
Information Technology	2.66%	12.01%
Materials – ex Resources	-4.95%	0.67%
Materials – Resources	0.55%	18.32%
Telecommunication Services	12.12%	1.24%
Utilities	-3.58%	0.95%
Total	-0.22%	100.00%

Source: Acorn Capital, as at 30 June 2015. Microcap performance based on Acorn Capital/SIRCA ('Securities Industry Research Centre of Asia-Pacific') Microcap Accumulation Benchmark.

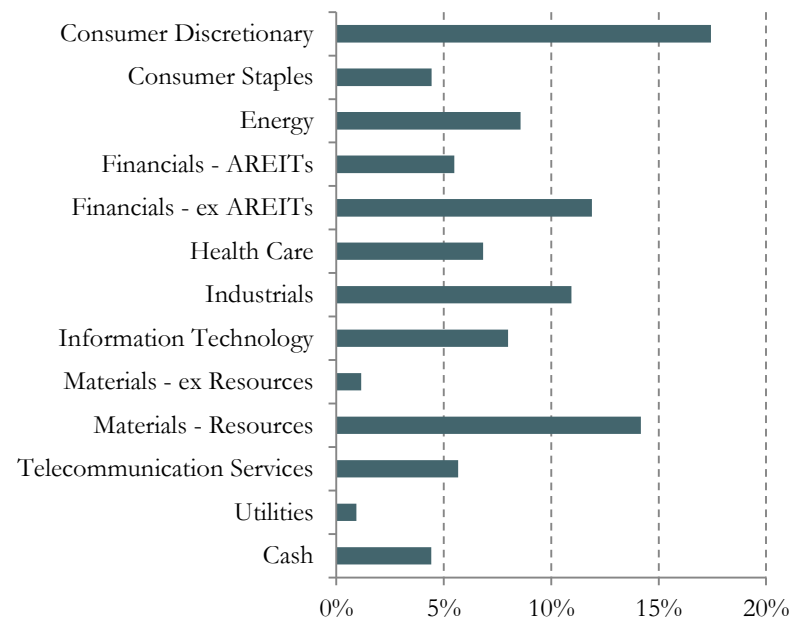
The ACQ Investment Portfolio is diversified across all microcap sectors

- ACQ Investment Portfolio investment commenced on 1 May 2014 (ACQ listing date) and holds 92 stocks as at 30 June 2015
- Unlisted investments represent approximately 13% of gross portfolio assets

Composition of Gross Portfolio Assets ¹



Sector Weights ¹



(1) Source: Acorn Capital As 30 June 2015

At 30 June 2015 the 10 largest stock holdings account for 26.5% of the ACQ Investment Portfolio

- Portfolio strategy is to diversify by sector and by stock number to manage risk
- Largest position, amaysim, represented 4.75% of the ACQ Investment Portfolio
- Top 20 positions as at 30 June 2015, represent approximately 42% of the ACQ Investment Portfolio
- Average market capitalisation of the listed companies that ACQ is invested in is approximately \$223 million

Top 10 Holdings ¹

% of ACQ Gross Portfolio Assets

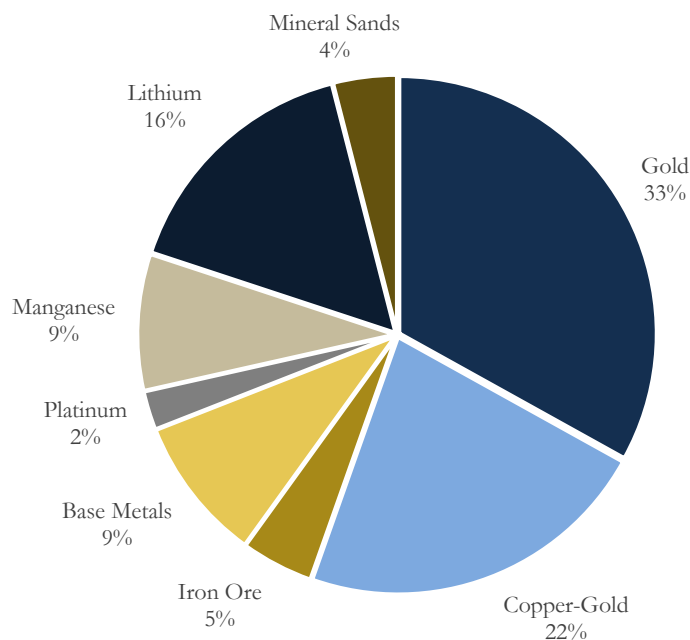
Amaysim (unlisted, but listing on 15 July 2015)	4.75%
Servcorp	4.34%
RedBubble (unlisted)	4.15%
Burson Group	2.46%
Imf Bentham	1.88%
QMS Media	1.84%
Capitol Health	1.82%
Orocobre	1.81%
Generation Healthcare	1.77%
Metals X	1.70%
Top 10 Positions	26.52%

(1) Source: Acorn Capital As at 30 June 2015

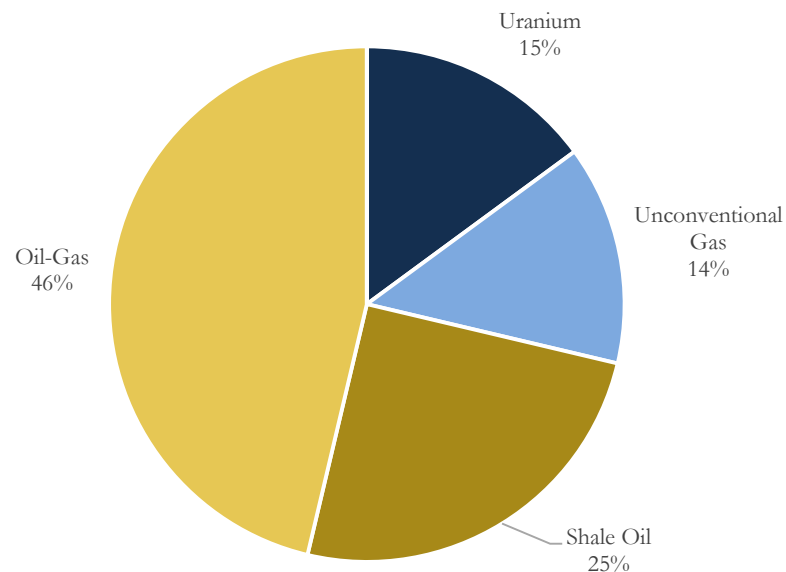
Materials – Resources and Energy represent approximately 23% of the ACQ portfolio

- The second half of FY15 has seen more stability in Materials-Resources and Energy relative to the first half
- Materials – Resources represents 14.2% ⁽¹⁾ of the ACQ portfolio approximately 80% of value is linked to Gold, Lithium, Copper and Manganese
- Energy represents 8.6% ⁽¹⁾ of the of the ACQ portfolio and comprises conventional oil & gas, unconventional gas as well as uranium

Underlying Exposure of Materials Resources Portfolio¹



Underlying Exposure of Energy Portfolio¹

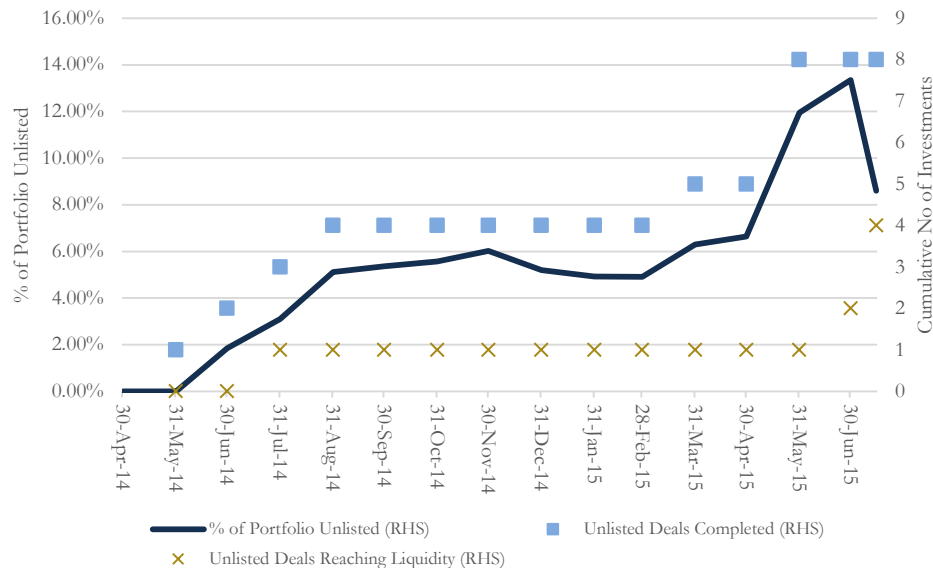


1. Acorn Capital estimates as at 30 June 2015

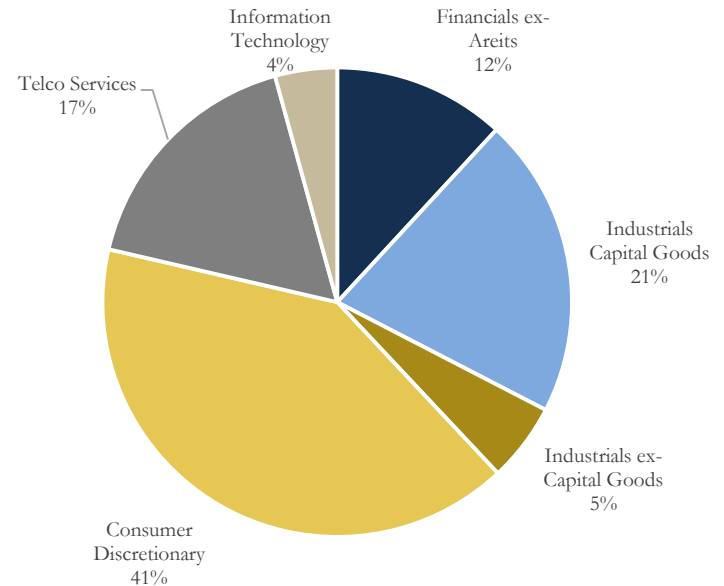
Since inception ACQ has made 8 unlisted investments, 4 of which have reached liquidity events

- Since inception, through to 15 July 2015, ACQ has invested approximately \$5.9m in unlisted investments
- Weighted average duration of unlisted investments (unlisted and those that have reached liquidity events) is 0.5 years, compared to Acorn Capital's historical experience of 2.7 years
- For the 4 unlisted investments that have reached liquidity, the average absolute return on capital is +68%
- Excluding amaysim⁽¹⁾ and Mitula⁽¹⁾ as at 30 June 2015 ACQ unlisted investments have a portfolio value of approximately \$3.6m versus their cost of approximately \$3.8m

Unlisted Investment Rate



Sector Composition of Unlisted Investments ²



1. Amaysim and Mitula as at 30 June 2015 had completed IPO capital raises and listed on ASX on 15 July 2015 and 1 July 2015 respectively
 2. Acorn Capital estimates as at 30 June 2015

Selection of Recent Unlisted Investments



Website www.redbubble.com
 Sector Consumer Discretionary
 Stage Expansion
 Description Redbubble is an online marketplace for print on-demand products based on user submitted artwork. The company was founded in 2006 in Melbourne and also maintains an office in San Francisco



Website www.carbonrev.com
 Sector Industrials ex-Capital Goods
 Stage Early
 Description Carbon Revolution produces the world's only one-piece carbon fibre wheel which is one of the most technically advanced wheels available.

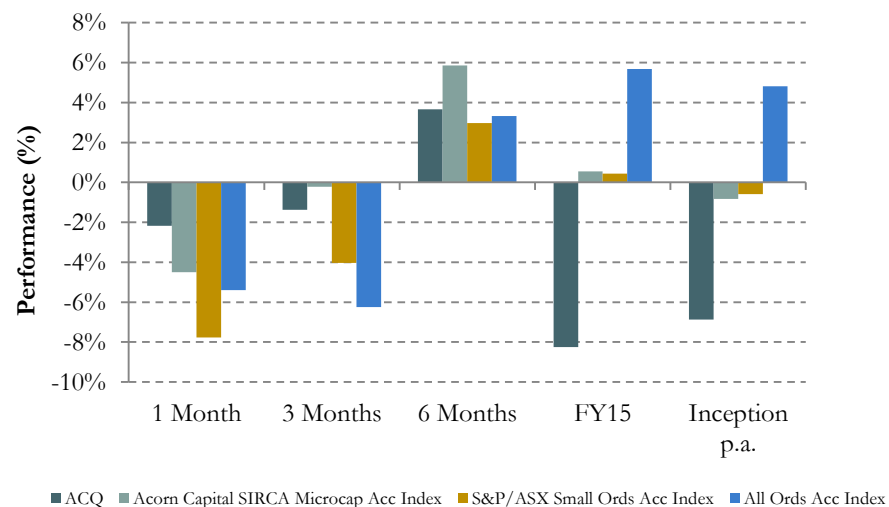


ACQ Investment Portfolio stock selection is designed to focus on medium to long term performance

- ACQ has generated a return of -1.38% ⁽¹⁾ for the June 2015 quarter, compared to the S&P/ Small Ordinaries Accumulation Index and Acorn Capital/SIRCA Microcap Accumulation Index of -4.04% and -0.22% respectively
- June 2015 performance was assisted by the completion of the capital raising for unlisted investments, amaysim (held in the portfolio as at 30 June 2015 at the underwritten IPO valuation), QMS Media and Mitula Group

ACQ Performance as at 30 June 2015¹

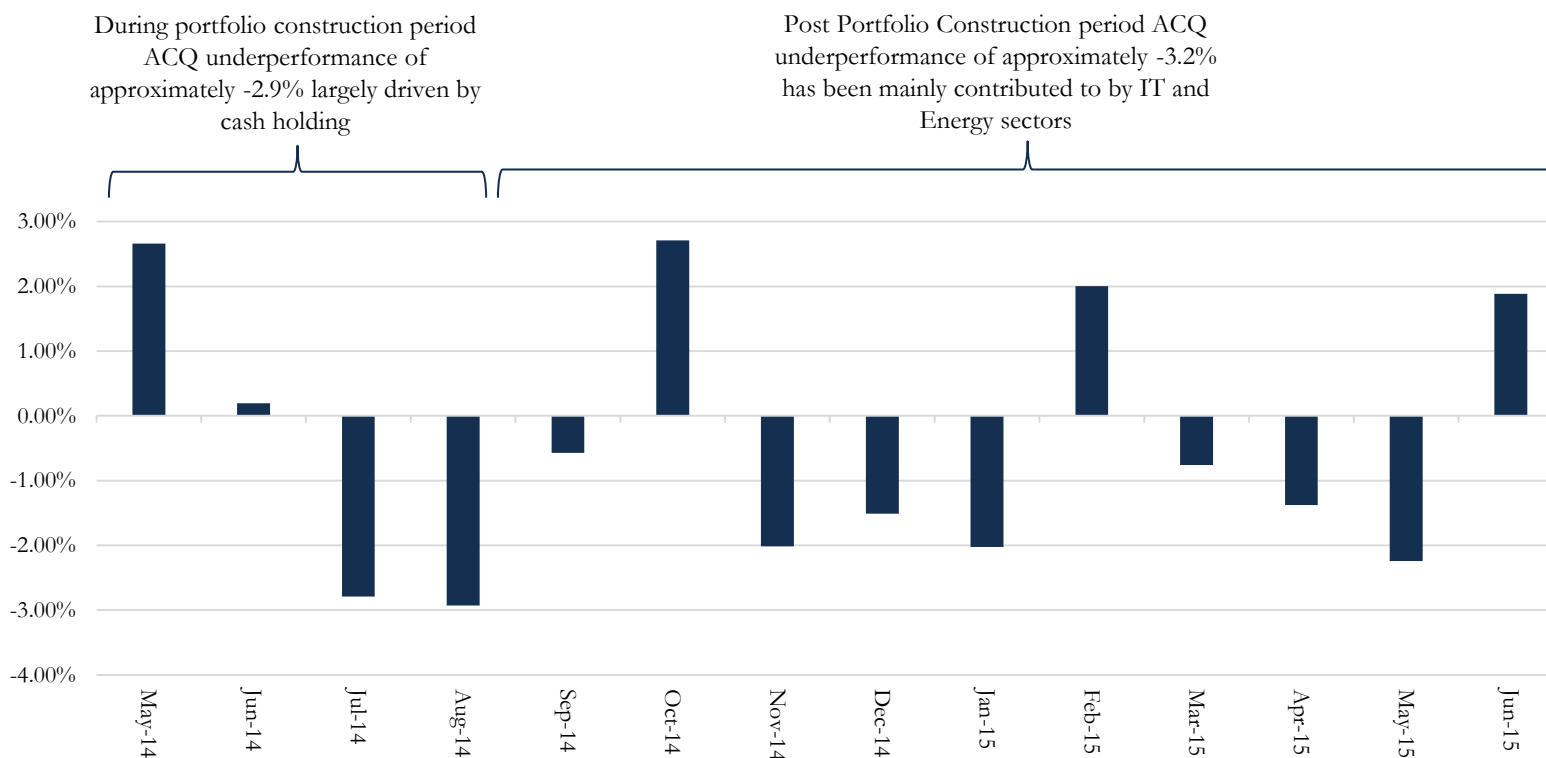
Period	1 month	3 months	6 months	FY15	Since inception ²
ACQ ¹	-2.17%	-1.38%	+3.66%	-8.25%	-6.88%
Acorn Capital / SIRCA Microcap Acc. Index ³	-4.50%	-0.22%	+5.85%	+0.55%	-0.83%
S&P/ASX Small Ords Acc. Index	-7.77%	-4.04%	+2.97%	+0.44%	-0.60%
S&P/All Ords Accumulation Index	-5.40%	-6.25%	+3.32%	+5.67%	+4.81%



- Portfolio performance is unaudited and post all operating expenses, excluding management fees, taxes and initial IPO and placement commissions. Performance has not been grossed up for franking credits received by shareholders. All figures are unaudited, unlisted valuations performed by Acorn Capital in accordance with ACQ Board approved policies
- Inception is 1 May 2014
- Acorn Capital / SIRCA Microcap Accumulation Index data is verified 3 months in arrears by SIRCA

- ACQ utilises the Acorn Capital/SIRCA Microcap Index for portfolio construction accordingly it is best base to analyse performance
- Since inception ACQ has underperformed the Microcap Index by approximately 6.1%, in part due to cash holdings during portfolio construction period and underperformance of IT and Energy sectors since 1 September 2014

ACQ Monthly Excess Return (Alpha) Compared to the Acorn Capital/SIRCA Microcap Index¹



1. Acorn Capital estimates as at 30 June 2015

- For the 2015 financial year ACQ underperformed the Acorn Capital/SIRCA Microcap Index by 8.7%
- Telecommunications and Consumer Staples were the best performing portfolio sectors reflected in amaysim and Bellamys being in the top 5 contributors
- The >45% decline in the oil price (in USD terms) over the financial year created a significant headwinds as the portfolio's energy exposure is predominately oil (both conventional and unconventional) reflected in Horizon Oil and Sundance Energy being in the bottom 5 contributors
- Emerging Information Technology stocks in the portfolio struggled over the last 12 months. Delays in execution, longer lead times to profitability and lack of news flow were all reasons for the negative performance.

Top 5 and Bottom 5 Contributors to ACQ Portfolio Return¹ for FY15

Top 5 Contributors	Portfolio Sector Classification	Bottom 5 Contributors	Portfolio Sector Classification
1. amaysim	Telecommunication Services	1. Horizon Oil	Energy
2. Bellamy's	Consumer Staples	2. Sundance Energy	Energy
3. Orbis Gold	Materials - Resources	3. Tiger Resources	Materials – Resources
4. Indophil	Materials - Resources	4. eServglobal	Information Technology
5. Servcorp	Financials ex-AREITS	5. iCar Asia	Information Technology

1. Acorn Capital estimates as at 30 June 2015

ACQ is a Listed Investment Company that provides investors exposure to a diversified portfolio of Microcap Companies

- “Microcap Companies” are defined as those entities with an equity valuation below that of the 250th largest (by full market capitalisation) ASX-listed entity
- Microcap Companies comprise Listed Microcaps (being those listed on ASX) and Unlisted Microcaps (being either entities not listed on the ASX, or unlisted instruments of Listed Microcaps)
- ACQ’s primary objective is to achieve after-fee returns on its investment portfolio in the long term that are higher than the S&P/ASX Small Ordinaries Accumulation Index, through long-term capital growth by way of investment in a diversified portfolio of Microcap Companies
- ACQ offers investors access to a diversified portfolio in the asset class of Microcap Companies
- Attractive product for long term investors within their own diversified portfolios
- ACQ offers a long term strategy that should be considered in the context of investment choices in the alternative asset class

INVESTMENT PHILOSOPHY

- Identify the best investments within each industry based on relative value, remaining fully invested across all industries
- Exploit inefficiencies in the pricing of Listed and Unlisted Microcap Companies
- Investment opportunities for long term capital growth are identified through research and regular company interaction
- Manage risk through creation of diversified portfolios

INVESTMENT STRATEGY

- | | |
|-----------------------------------|---|
| ▪ Research Driven Stock Selection | Significant potential value added due to lack of research in microcap sector |
| ▪ Economic Sector Diversified | Enable relative rank, provide diversification by industry, optimise risk / reward |
| ▪ Style agnostic | Avoid style bias, capture both growth and value, developing and mature companies |
| ▪ Long term investor | Minimise transaction costs and maximise participation in the primary market |
| ▪ Stock Numbers | Create diversified portfolios, reduce volatility |

TARGET PORTFOLIO

METRIC

- | | |
|--|--|
| ▪ Portfolio Sector Weights | Acorn Capital / SIRCA Microcap Benchmark (although exposures may vary from the benchmark) |
| ▪ Range of Unlisted Exposure | Weight not fixed but expected to be 0-50% |
| ▪ Average Investment Duration | Anticipated to be 2-5 years |
| ▪ Exposure to Single Company at Time of Investment | Max 7.5% of portfolio at time of investment |
| ▪ Cash | To a level considered appropriate as determined by the Manager, although typically less than 10% |

Director	Background
John Steven <i>Chairman and Independent Non-executive Director</i>	John is the non-executive Chairman of ACQ. He is the head of Minter Ellison's Mergers & Acquisition Division. He practises in the corporate and capital markets area and also has an extensive general corporate practice. <i>B.Ec, LLB (Hons), DipComLaw</i>
Judith Smith <i>Independent Non-executive Director</i>	Judith was formerly the Head of Private Equity at IFM Investors and Chair of the IFM Risk Committee. Judith was also a member of the IFM Investments Committee. She also held various investment management roles including more than a decade at National Mutual Funds Management. <i>B.Ec (Hons), M.AppFin</i>
David Trude <i>Independent Non-executive Director</i>	David is a senior corporate banking executive with 40 years' experience in a variety of financial services roles in the banking and securities industries. He is the Chairman of Baillieu Holst. David was formerly Managing Director, Australian CEO of Credit Suisse, where he is currently a Consultant. He currently holds several other board positions. <i>B.Com</i>
Robert Brown <i>Director</i>	Robert is an independent director of Acorn Capital and is Chairman of its subsidiary Australian Microcap Investments Pty Ltd. He is an emeritus professor of finance in the Department of Finance, University of Melbourne, where his research has focused on security market behaviour. <i>B.Ec (Hons), M.Ec, GradDipAcc, FCPA, SF Fin</i>
Barry Fairley <i>Director</i>	Barry is Acorn Capital's Managing Director. He founded Acorn Capital in 1998 and has more than 40 years of investment experience. <i>Dip of Mining Engineering, SA Fin</i>