

# Acorn Capital Microcap Fund

## Fund Profile



ACORN CAPITAL

A specialist Australian microcap fund aiming to optimise returns over the long term

Investment objective	To outperform the benchmark by 3-5% (before fees and expenses) over a rolling 5-year period.
Benchmark index	Acorn Capital/SIRCA Microcap Accumulation Index. SIRCA is the Securities Industry Research Centre of Asia Pacific.
Investment style	The Fund is an actively managed and well diversified Australian microcap portfolio. The Fund aims to exploit inefficiencies in the pricing of stocks that arise from information gaps about microcaps, and to identify opportunities for long-term growth.  The Fund is style neutral; holding a portfolio of typically between 65-80 stocks with a low expected portfolio turnover.
Investment process	<div style="display: flex; align-items: flex-start;"> <div style="flex: 1;"> <pre> graph TD     A["AUSTRALIAN MICROCAP INVESTMENT UNIVERSE Exclude stocks that are suspended, market capitalisation less than \$5M and are impractical investments."] --&gt; B["MATURE COMPANIES Relative assessment of management quality, business strategy, industry positioning and competitive edge, financials and valuations."]     A --&gt; C["DEVELOPING COMPANIES Qualitative assessment: management, business strategy and potential of business or assets."]     B --&gt; D["DETAILED FUNDAMENTAL RESEARCH Relative assessment of management quality, business strategy, industry positioning and competitive edge, financials and valuations."]     C --&gt; D     D --&gt; E["PORTFOLIO CONSTRUCTION: 65-80 STOCKS"]             </pre> </div> <div style="flex: 0.5; padding-left: 20px;"> <p><b>MICROCAP SECTOR</b></p> <p>The Australian microcap sector is defined as companies falling outside the largest 250 companies on the ASX by market capitalisation ranking. This represents approximately 7% of the total ASX market capitalisation, but &gt;85% of the number of stocks. This is an inefficient sector; stocks are generally not well known, relatively illiquid with higher transaction costs and are more volatile. Many of these stocks are capital hungry. Approximately 35% of companies are developing and in constant need of investor funding.</p> </div> </div>
Risk management	The microcap sector is characterised by relatively high volatility and illiquidity in comparison to the small cap market. As such, risk management is a key component of the portfolio construction process. Portfolio risk is managed by maintaining a well-diversified portfolio, broad industry diversification, and hard limits on stock weightings.
APIR code	AUS0108AU
Fund inception	March 2001
Minimum initial investment	\$5,000
Management costs	1.6596% p.a. of the net asset value of the Fund; plus Recoverable Expenses (estimated to be 0.1045% of the net asset value of the Fund each financial year ended 30 June).
Buy/Sell spread	0.20% / 0.20%
Distributions	Annual, generally paid within 21 business days after 30 June.
Advice fee	Available
Performance	Refer to the Fund Update for the most recent performance and rating information.

### Contact Details

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## Differentiators

The Fund offers investors:

- access to a true microcap strategy. Microcaps are often overlooked by fund managers due to the information inefficiencies. Acorn Capital aims to exploit these inefficiencies by undertaking rigorous fundamental research to identify opportunities for long-term growth. A longer term investment approach with a diversified portfolio helps reduce the impact of higher volatility and potential illiquidity of the microcap strategy.
- an exceptional track record, delivering outperformance against Acorn Capital/SIRCA Microcap Accumulation Index in 11 out of 13 calendar years since inception.<sup>1</sup>
- access to expertise of Australia's first and most established specialist microcap investment manager. The team is highly experienced and well-resourced. Each sector has a specialist Portfolio Manager, with complete accountability for stock selections and performance of their respective sectors.

<sup>1</sup> Past performance is no indication of future performance.

## How the Fund fits in a portfolio

The Fund will blend well with large and mid-cap funds by providing a complementary exposure across the capitalisation spectrum.

The Fund is suited to investors who:

- are looking for long-term capital growth
- seek to diversify their Australian equity portfolio, complementing their existing equity exposure across the capitalisation spectrum; and
- are comfortable with the potential volatility of the microcap sector.

## Philosophy

Acorn Capital was the first investment manager to exclusively target the microcap sector on the ASX and is now the largest dedicated specialist microcap investor in the Australian market.

A number of beliefs form the basis of Acorn Capital's investment philosophy:

- A well-resourced, research-focused investment manager can achieve an information advantage over the market through stock selection.
- It is extremely difficult over the long-term to achieve an information advantage in respect to market timings and industrial weightings.
- Diversification by industry and stocks will generate superior risk adjusted returns over the long term.

Acorn Capital's highly experienced team employs a research driven investment process designed to take advantage of inefficiencies that can exist in the microcap sector arising from poor information flows and the lack of liquidity.

## Acorn Capital's Strength in Unity

Acorn Capital is a Melbourne-based boutique investment manager which was established in 1998 and formed a joint venture with Australian Unity in 1999. This structure preserves the entrepreneurship, independence and flexibility of a boutique investment house whilst offering the professionalism, support and resources of a major corporation with a long-term focus.



**Douglas Loh**  
Head of Equities

Douglas has more than 16 years' experience in funds management in Australia.

In late 1998, Douglas joined Acorn Capital, Australia's first boutique fund manager to focus solely on the Australia microcap sector. Douglas spent his first year with founding director Barry Fairley researching and developing an investment strategy for the sector, which culminated in Acorn Capital receiving its first institutional mandate in 2000.

Douglas then worked as the Australian Microcap IT and Telco Analyst before moving to focus on portfolio management. He was responsible for managing Acorn Capital's microcap portfolios for more than 10 years. In addition to his role as Head of Equities, Douglas has direct responsibilities for Acorn Capital's Asian small cap strategy.

Prior to joining Acorn Capital, Douglas's career was largely in academia and consulting.

Douglas is a Director of Acorn Capital, has a Bachelor of Economics (Hons) from Monash University, is a CPA and speaks Mandarin, Cantonese, Malay and Indonesian.

### Important information

Units in the Acorn Capital Microcap Fund and Acorn Capital Microcap Fund – Retail are issued by Australian Unity Funds Management Limited ABN 60 071 497 115, AFSL 234454. The retail Fund is closed to new investors. The appointed investment manager is Acorn Capital Limited ABN 51 082 694 531, AFSL 227605. The information in this document is general information only and does not take into account the financial objectives, situation or needs of any particular investor. Before deciding whether to acquire, hold or dispose of a product, an investor should refer to the relevant Product Disclosure Statement (PDS). A copy of the PDS can be obtained by calling **1800 649 033** or **13 29 39** or visiting [australianunityinvestments.com.au](http://australianunityinvestments.com.au). Any examples or information provided in this article are for illustrative and discussion purposes only and do not represent a recommendation or Australian Unity's view on future events, and in no way bind Australian Unity. Past performance is not a reliable indicator of future performance. *The information provided here was current at the time of publication only.*