

Acorn Capital Investment Fund Limited
ABN 25 167 595 897

Notice of Annual General Meeting ('Notice')

and

Explanatory Memorandum
to Shareholders ('EM')

A voting form is enclosed

Please read the Notice and EM carefully.

If you are unable to attend the meeting please complete and return the enclosed voting form in accordance with the specified instructions.

Acorn Capital Investment Fund Limited ABN 25 167 595 897 (Company)

Notice of annual general meeting

Notice is given that the 2018 annual general meeting of members of the Company will be held at the West Tower Suite of the Sofitel Melbourne on Collins, 25 Collins Street, Melbourne Vic 3000, on Friday 16 November 2018 at 10am (Melbourne time).

Agenda items

1 Financial report

To receive and consider the financial report of the Company and the reports of the directors and auditors for the financial year ended 30 June 2018, as set out in the 2018 Annual Report.

2 Re-election of director

2.1 Re-election of John Steven as a director

To consider, and if thought fit, pass the following resolution:

That John Steven, who retires under rule 62 of the Company's constitution, and being eligible, is re-elected as a director of the Company.

2.2 Re-election of David Trude as a director

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

That David Trude, who retires under rule 62 of the Company's constitution, and being eligible, is re-elected as a director of the Company.

3 Remuneration Report

To consider, and if thought fit, pass the following resolution:

That the Remuneration Report for the financial year ended 30 June 2018 is adopted.

Note: The vote on this resolution is advisory only and does not bind the directors or the Company. A voting exclusion applies to this resolution.

4 Approval of MA Variations

To consider, and if thought fit, pass the following resolution:

Subject to the resolution contemplated by Item 5 of the notice of this meeting being passed, that, for the purposes of the ASX Listing Rules, the ASX Waiver (as that term is defined in the Explanatory Memorandum accompanying and forming part of the notice of this meeting ('EM')) and for all other purposes, the MA Variations (as that term is defined in the EM) are approved with immediate effect.

Note: A voting exclusion applies to this resolution.

5 Renewal resolution

To consider, and if thought fit, pass the following resolution:

Subject to the resolution contemplated by Item 4 of the notice of this meeting being passed, that, for the purposes of the ASX Listing Rules, the ASX Waiver (as that term is defined in the Explanatory Memorandum accompanying and forming part of the notice of this meeting ('EM')), the Management Agreement (as that term is defined in the EM) and for all other purposes, the term of the Management Agreement (as that term is defined in the EM) is automatically renewed until and including the date that is 7 years after the date on which this resolution is passed.

Note: A voting exclusion applies to this resolution.

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Entitlement to vote

The Board has determined, in accordance with the Company's constitution and under regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), that for the purposes of the annual general meeting, persons who are registered holders of shares in the Company at **7pm (Melbourne time) on Wednesday 14 November 2018** will be entitled to attend and vote at the meeting as a shareholder. Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Voting exclusion

Item 3 of the Notice

The Company will disregard any votes cast on the resolution contemplated by Item 3 of the Notice:

- by or on behalf of a member of the Company's key management personnel (**KMP**) named in the Remuneration Report for the financial year ended 30 June 2018 or their closely related parties, regardless of the capacity in which the vote is cast; or
- as a proxy by a person who is a member of the Company's KMP at the date of the annual general meeting or their closely related parties,

unless the vote is cast as proxy for a person who is entitled to vote on the resolution contemplated by Item 3 of the Notice, and the vote is cast:

- in accordance with a direction in the voting form; or
- by the Chairman of the meeting pursuant to an express authorisation to exercise the proxy as the Chairman sees fit even though resolution 3 is connected with the remuneration of the KMP.

KMP of the Company include the directors of the Company.

'Closely related party' is defined in section 9 of the *Corporations Act 2001* (Cth) (**Corporations Act**) and includes a KMP's spouse, dependants and certain other close family members as well as any companies controlled by a member of the KMP.

Items 4 and 5 of the Notice

In respect of each resolution contemplated by Items 4 and 5 of this Notice, the Company will disregard any votes cast in favour of the resolution by or on behalf of the Manager (as that term is defined in the EM) and its Associates (as that term is defined in the *Corporations Act 2001* (Cth)).

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the Chairman of the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Direct voting

A shareholder can cast a direct vote by marking the "Vote Directly" box in step 1 of the voting form and the 'for', 'against' or 'abstain' box in step 3 of the voting form. Direct voting provides shareholders with an alternative to appointing a proxy to vote on their behalf.

If no direction is given by a shareholder on a resolution (i.e. if the shareholder does not mark any box for the resolution), the shareholder's vote will be invalid for that resolution.

Proxies

A shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote on behalf of the shareholder. A proxy need not be a shareholder of the Company and can be either an individual or a body corporate.

Unless the Chairman of the meeting is your proxy, the KMP of the Company (which includes each of the directors) and their closely related parties will not be able to vote your proxy on the resolution contemplated by Item 3 of this Notice, unless you direct them how to vote. If you intend to appoint such a person as your proxy, please ensure that your proxy is directed how to vote on the resolution contemplated by Item 3 of this Notice by marking the voting box(es) for that resolution.

The Chairman of the meeting acting as proxy

A shareholder may appoint the Chairman of the meeting as proxy. In addition, if you direct your proxy how to vote and a poll is duly demanded but your proxy does not attend the meeting or does not vote on a resolution, the Chairman of the meeting will be taken to have been appointed as your proxy and is required to vote proxies as directed.

If the Chairman of the meeting is your proxy (or becomes your proxy by default) and you do not mark a voting box for the resolution contemplated by Item 3 of the Notice, then by completing and returning the voting form, you will be expressly authorising the Chairman of the meeting to vote as he or she sees fit in respect of the resolution contemplated by Item 3 of the Notice even though the resolution is connected with the remuneration of the Company's KMP.

The Chairman of the meeting intends to vote all available proxies in favour of each item of business.

Appointing two proxies

A shareholder that is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the shareholder's votes. However, neither proxy may vote on a show of hands.

Appointing a body corporate representative as a proxy

If a shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the Corporations Act; and
- provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.

If such evidence is not received before the meeting, then the body corporate (through its representative) will not be permitted to act as a proxy.

Lodgement of voting forms

A voting form accompanies this Notice and to be effective must be received at the company's share registry by **no later than 10am (Melbourne time) on Wednesday 14 November 2018**.

Voting forms may be lodged:

- electronically at www.investorvote.com.au;
- by mail to Computershare Investor Services Pty Limited
GPO Box 242
Melbourne Vic 3001;
- in person to Computershare Investor Services Pty Limited
452 Johnston Street
Abbotsford, Victoria 3067; or
- by facsimile: 1800 783 447 (within Australia) or +61 9473 2555 (outside Australia)

Appointing an attorney to vote

Where a shareholder appoints an attorney to act on his/her behalf at the meeting, such appointment must be made by a duly executed power of attorney. The power of attorney or a certified copy must be received by the Company at the company's share registry by **no later than 10am (Melbourne time) on Wednesday 14 November 2018** in the manner set out above.

Corporate representatives

A body corporate that is a shareholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the annual general meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it has been signed, unless it has previously been given to the Company.

Custodian voting

For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions.

Explanatory Memorandum

Further details are contained in the EM accompanying and forming part of this Notice.

By Order of the Board

16 October 2018



Company Secretary

Explanatory Memorandum to shareholders

This EM has been prepared to help shareholders understand the business to be put to shareholders at the forthcoming annual general meeting. For the avoidance of doubt, this EM forms part of the Notice and should be read together with the Notice.

1 Financial report

The Corporations Act requires:

- the reports of the directors and auditors; and
- the annual financial report, including the financial statements of the Company,

for the financial year ended 30 June 2018, to be laid before the annual general meeting. Neither the Corporations Act nor the Company's constitution requires a vote of shareholders on the reports or statements. However, shareholders as a whole will be given a reasonable opportunity to raise questions or comments on the management of the Company.

Also, a reasonable opportunity will be given to shareholders as a whole at the meeting to ask the Company's auditor questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

Shareholders can access a copy of the annual report on the Company's website at www.ACQfund.com.au

2 Re-election of director

Under rule 62 of the Company's constitution, no director, who is not the managing director, may hold office for a continuous period in excess of three years or until the third annual general meeting following the director's appointment or election, whichever is the longer, without submitting for re-election. In accordance with this rule, John Steven and David Trude retire and being eligible, offer themselves for re-election. Their biographical details are set out below.

John Steven

John has been the Chairman and an Independent non-executive director of the Company since 6 March 2014.

John is a senior partner of the Capital Markets and Corporate (CMC) Line of Business of law firm, MinterEllison. He practises in the corporate and capital markets area, particularly public and private mergers and acquisitions, capital raisings and joint ventures. He also has an extensive general corporate practice. He was national leader of the CMC Business Unit and a member of the National MinterEllison Board for many years.

John holds a Bachelor of Laws (with Honours), a Bachelor of Economics and a Diploma of Commercial Law from Monash University.

Board recommendation

The Board (with John Steven abstaining) unanimously recommends that shareholders vote **in favour** of the re-election of John Steven.

David Trude

David has been an Independent non-executive director of the Company since 6 March 2014.

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 (formerly E.L.&C. Baillieu), a position he has held since 2010 and has been a member of its Board since 2006. David was formerly Managing Director, Australian Chief Executive Officer/Country Manager of Credit Suisse.

David holds a Bachelor of Commerce from the University of Queensland and is a Master Stockbroker of the Stockbroker Association of Australia and Member of the Australian Institute of Company Directors.

Board recommendation

The Board (with David Trude abstaining) unanimously recommends that shareholders vote **in favour** of the re-election of David Trude.

3 Remuneration Report

The Corporations Act requires the Company to put a resolution to shareholders, at the annual general meeting, to adopt the Company's Remuneration Report.

The Company's Remuneration Report for the financial year ended 30 June 2018 is found within the directors' report on page 18 of the Company's 2018 Annual Report.

The Company's Remuneration Report outlines remuneration policy and arrangements for the Company's key management personnel. The Company has no employees, only non-executive directors, and therefore does not have a remuneration policy for employees. Details of the non-executive directors remuneration arrangements can be found on page 18 of the Company's Annual Report.

The vote on this resolution is advisory only and does not bind the directors or the Company. However, the Board will consider the outcome of the vote when reviewing the Company's remuneration policy.

Note: A voting exclusion applies to this resolution, as set out in the Notice.

Board recommendation

The Board unanimously recommends that shareholders vote **in favour** of the adoption of the Remuneration Report.

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4 Approval of MA Variations

Overview

The Company and Acorn Capital Limited (**Manager**) are parties to a management agreement dated 11 March 2014 (**Management Agreement**), under which the Manager is appointed to invest and manage the Company's investment portfolio (**Portfolio**).

The Company and the Manager are proposing to make certain amendments to the Management Agreement. The Company considers that the amendments to the Management described below and in further detail in Schedule 1 (i.e. the 'MA Variations') are, or may be considered to be, material amendments and seeks shareholder approval of the MA Variations under the resolution contemplated by Item 4 of the Notice.

By way of background, the Management Agreement currently contemplates that:

- the Manager is appointed for an initial term of 5 years;
- the Manager may request that the Company call and arrange to hold a meeting of shareholders of the Company to consider and, if appropriate, approve a resolution renewing the term of the Management Agreement for a further period of 5 years (**Renewal Term**), with such 5 year period to commence on the date of the resolution (**Renewal Resolution**). If the Renewal Resolution is approved by shareholders, the term of the Management Agreement will be automatically renewed for the Renewal Term;
- the Portfolio is required to be invested by the Manager in 'Australian Microcap Companies' (as that term is defined in the Management Agreement);
- for a period of 30 business days from the effective date of termination of the Management Agreement (**Vesting Period**), the Manager may deal with the Portfolio in order to vest control of the Portfolio in the Company (or as the Company may otherwise direct); and
- at the end of each financial year, subject to the satisfaction of certain conditions and payment tests, the Manager is entitled to be paid a performance fee. For the purposes of the payment of a performance fee, a financial year will be deemed to have ended where the Management Agreement is terminated. Where the relevant conditions and tests are satisfied, the amount of the performance fee payable to the Manager at the end of a financial year (including where a financial year is deemed to have ended as a consequence of the termination of the Management Agreement) is calculated by reference to the amount of the then current balance of the 'Performance Fee Account' (as that term is defined in the Management Agreement) that is in excess of the 'Minimum Performance Fee Account Balance' (**Performance Fee Payment Amount**).

Subject to the resolutions contemplated by Items 4 and 5 of the Notice being passed, it is proposed that the Company and the Manager will make the following material amendments to the current terms and conditions of the Management Agreement (collectively, the **MA Variations**):

- the Renewal Term will continue for a period of 7 years and not 5 years, as currently contemplated by the Management Agreement (**Amended Renewal Term**);
- the Manager will be permitted to invest a limited percentage of the Company's investment portfolio (approximately 10%) in companies other than 'Australian Microcap Companies' (**Amended Permitted Investment Universe**);

- the Vesting Period will continue for a period of 9 months from the effective date of termination of the Management Agreement (**Amended Vesting Period**); and
- where a financial year is deemed to have ended as a consequence of the termination of the Management Agreement, subject to the satisfaction of the relevant performance fee payment tests and conditions (for the avoidance of doubt, which are not proposed to be changed), the amount of the performance fee payable to the Manager will be calculated by reference to the then current balance of the 'Performance Fee Account' and not just the amount of the 'Performance Fee Account' in excess of the 'Minimum Performance Fee Account Balance' (**Amended Performance Fee Payment Amount**). For the avoidance of doubt, the Amended Performance Fee Payment Amount will only apply where a financial year is deemed to have ended as a consequence of the termination of the Management Agreement and will not apply at the end of any other financial year.

For the avoidance of doubt, other than the MA Variations, no material changes are proposed to be made to the current terms of the Management Agreement and no change is proposed in relation to the fees from time to time payable to the Manager under the Management Agreement.

Summary of MA Variations

A comprehensive summary of the MA Variations and the material terms of the Management Agreement is set out at Schedule 1 to this EM.

Reasons for the Amended Renewal Term and extending the term of the Management Agreement for the Amended Renewal Term

The Company has applied for and been granted a waiver of ASX Listing Rules 15.16(b) and 15.16(c) to permit the Amended Renewal Term (**ASX Waiver**).

Having regard to the sustained successful investment performance of the Manager with respect to the Company's investment portfolio, the Company considers that both:

- the MA Variation relating to the Amended Renewal Term; and
- the extension of the term of the Management Agreement for the Amended Renewal Term (as contemplated by the resolution set out at Item 5 of the Notice),

is appropriate and is in the best interests of the Company, including for the following reasons:

- the Manager requires a longer period of tenure than 5 years to deliver on its investment strategy. The Company's investment strategy includes investing in listed and unlisted entities and involves long term, often contrarian, investments in a portfolio of securities that may be extremely illiquid. Accordingly, the timeframe for investing, and realising returns on investments of this nature, may be significant;
- the Amended Renewal Term strikes an appropriate balance between the Manager's desire to protect what it believes to be a particular investment model and the right of the Company and its securityholders to end a management agreement after a reasonable fixed term; and
- the nature of the Company's underlying investments means that continuity of the Manager is important over the investment period – involving, the acquisition, management and disposal of each investment – which may extend to 7 to 10 years.

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Reasons for the Amended Permitted Investment Universe

The Company notes that, from time to time, securities in foreign domiciled entities are identified as a relatively more attractive investment than investments that are permitted under the current terms of the Management Agreement (i.e. securities in 'Australian Microcap Companies').

This scenario is most commonly observed in the resources and energy sectors but, on occasion, is also observed in other sectors.

On this basis, the Company considers that the MA Variation in relation to the Amended Permitted Investment Universe is appropriate and that it is in the best interests of the Company to allow the Manager to invest a limited percentage of the Company's investment portfolio in companies other than 'Australian Microcap Companies'.

Reasons for the Amended Vesting Period

Having regard to the illiquid nature of many of the investments comprising the Portfolio (currently being both listed and unlisted securities in 'Australian Microcap Companies'), the Amended Vesting Period is intended to:

- allow the Manager a reasonable time to deal with the Portfolio on termination of the Management Agreement; and
- avoid a 'fire-sale' situation in which the Manager is required to liquidate the investments comprising the Portfolio on terms and / or at a price that are below market value or otherwise unfavourable to the Company and its shareholders.

Reasons for Amended Performance Fee Payment Amount

The balance of the 'Performance Fee Account' reflects the amount of any 'Performance Fees' that have accrued, but have not been paid, to the Manager. The Company considers that, where a financial year is deemed to have ended as a consequence of the termination of the Management Agreement, it is reasonable, subject to the satisfaction of the relevant performance fee payment tests and conditions (which, for the avoidance of doubt, are not proposed to be changed), that the Manager is entitled to the amount of the then current balance of the 'Performance Fee Account' and not just the amount in excess of the 'Minimum Performance Fee Account Balance' (i.e. that the Manager is entitled to the Amended Performance Fee Payment Amount). As noted above, the Amended Performance Fee Payment Amount will only apply where a financial year is deemed to have ended as a consequence of the termination of the Management Agreement and will not apply at the end of any other financial year.

Board recommendation

The Board (with the exception of Barry Fairley and Robert Brown, who each abstain, given their respective relationships with the Manager) unanimously recommends that the shareholders vote **in favour** of the resolution contemplated by Item 4 of the Notice.

Note: A voting exclusion applies to this resolution, as set out in the Notice.

Note: The resolution contemplated by Item 4 of the Notice is conditional upon the resolution contemplated by Item 5 of the Notice being passed. That is, the MA Variations will not take effect unless the extension of the term of the Management Agreement for the Amended Renewal Term is approved.

5 Approval of the extension of the term of the Management Agreement for the Amended Renewal Term

Subject to the resolutions contemplated by Items 4 and 5 of the Notice being passed, it is proposed that the term of the Management will be automatically extended for the Amended Renewal Term (i.e. for the period ending 7 years after the date on which the resolution contemplated by Item 5 of the Notice is passed).

For the reasons identified at Item 4 of this EM, the Company considers that the extension of the term of the Management Agreement for the Amended Renewal Term is appropriate and is in the best interests of the Company.

Board recommendation

The Board (with the exception of Barry Fairley and Robert Brown, who each abstain, given their respective relationships with the Manager) unanimously recommends that the shareholders vote **in favour** of the resolution contemplated by Item 5 of the Notice.

Note: A voting exclusion applies to this resolution, as set out in the Notice.

Note: The resolution contemplated by Item 5 of the Notice is conditional upon the resolution contemplated by Item 4 of the Notice being passed. That is, the extension of the term of the Management Agreement for the Amended Renewal Term will not take effect unless the MA Variations are approved.

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Schedule 1 – Summary of (amended) Management Agreement

Note: Unless otherwise defined, each capitalised term has the meaning given to that term in the Management Agreement.

Part A – Overview of proposed changes to Management Agreement

1. Subject to the resolutions contemplated by Items 4 and 5 of the Notice being passed, it is proposed that the following material amendments will be made to the Management Agreement:
 - (a) the Management Agreement will be varied so that the Manager is permitted to invest (whether as a result of an underwriting arrangement or otherwise) the Portfolio in equity or equity linked securities (eg convertible debt, or debt with attaching warrants/options) of 'Permitted Foreign Companies', where:
 - (i) **'Foreign Company'** means a trust, managed investment scheme, body corporate or other entity that:
 - (A) is not incorporated or formed in Australia; or
 - (B) the Manager determines does not have an Australian Nexus; and
 - (ii) **'Permitted Foreign Company'** means a Foreign Company where:
 - (A) the value of all equity interests in the Foreign Company at the time of investment by the Company is less than the market capitalisation of the entity listed on ASX which has the 250th highest market capitalisation of all entities on ASX; and
 - (B) at the time of investment by the Company, the Market Value of all of the Company's investments in other Permitted Foreign Companies (if any) when aggregated with the Market Value of the Company's investment in the Foreign Company does not exceed 10% of the then current Portfolio Value;
 - (b) noting that, at any time after the date on which the Company's securities first commenced trading on ASX, the Manager may request that the Company call and arrange to hold a meeting of shareholders to consider and, if appropriate, approve a resolution renewing the term of the Management Agreement for a further period of 5 years (**Renewal Term**), the Management Agreement will be varied so that the Renewal Term continues for a period of 7 years and not 5 years;
 - (c) the Management Agreement will be varied so that, for a period of 9 months (instead of 30 business days) from the effective date of termination of the Management Agreement, the Manager may deal with the Portfolio in order to vest control of the Portfolio in the Company (or as the Company may otherwise direct); and
 - (d) the Management Agreement will be varied so that, where a financial year is deemed to have ended as a consequence of the termination of the Management Agreement, subject to the satisfaction of the relevant performance fee payment tests and conditions (for the avoidance of doubt, which are not proposed to be changed), the amount of the performance fee payable to the Manager will be calculated by reference to the then current balance of the 'Performance Fee Account' and not just the amount of the 'Performance Fee Account' in excess of the 'Minimum Performance Fee Account Balance'.
2. Other than as described above, no material changes are proposed to be made to the current terms of the Management Agreement and no change is proposed in relation to the fees from time to time payable to the Manager under the Management Agreement.

Part B – Summary of (amended) Management Agreement

1. Duties

1.1 Under the Management Agreement, the Manager must (amongst other things):

- (a) keep proper books of account in relation to the Portfolio, recording transactions by the Manager and provide information in relation to the Portfolio to assist the Company (amongst other entities) in the preparation of reports required under any Relevant Law;
- (b) exercise reasonable due diligence and vigilance in carrying out its functions, powers and duties under the Management Agreement;
- (c) account to the Company for any monetary benefits, fees or commissions received by the Manager or any related body corporate of the Manager (excluding the Company) in relation to the investment of the Portfolio other than benefits in the nature of soft dollar receipts and Fees;
- (d) act in good faith in determining any allocation of a Block-Booked Transaction to the Portfolio before, during and after the transaction has been entered into by the Manager;
- (e) determine the allocation of the Portfolio between investments in Permitted Foreign Companies and investments in Australian Microcap Companies;
- (f) determine whether the Company should issue Shares or Options for the purpose of making additional investments and provide recommendations to the Company of the recommended size of the issue;
- (g) assist the Board in determining the amount of or declaring any dividend or distribution (including a payment of a capital nature) to be paid by the Company;
- (h) assist the Company to manage its relations with holders of Securities and the public;
- (i) assist the Company to comply with its continuous disclosure obligations under Section 674 of the Corporations Act and ASX Listing Rule 3.1 by providing information in relation to the performance of the Services by the Manager and preparing drafts of ASX announcements for approval by the Board;
- (j) value or procure the valuation of the Portfolio at least once per month during the Term; and
- (k) to the extent not expressly provided for above, make written recommendations (together with reasonable supporting information and analysis) to the Board in respect of any matter which requires the approval of the Board. Although for the avoidance of doubt, the Board is under no obligation to act on any recommendation of the Manager in respect of a matter which requires Board approval.

2. Investment Guidelines

- 2.1 The Management Agreement sets out the investment instructions that must be complied with by the Manager in making any investment decision. The investment instructions may be amended from time to time by agreement in writing between the Company and the Manager.
- 2.2 The Management Agreement also sets out the investment objectives. Although not legally binding on the Manager, the Manager must have regard to the investment objectives in investing and managing the Portfolio.
- 2.3 Under the current terms of the Management Agreement, the Manager is appointed to manage a portfolio of investments in listed and unlisted Australian Microcap Companies.

The Management Agreement defines the term 'Australian Microcap Company' to mean 'a trust, managed investment scheme, body corporate or other entity where the value of all equity interests in the entity is less than the market capitalisation of the entity listed on ASX which has the 250th highest market capitalisation of all entities listed on ASX.'

2.4 Subject to the resolutions contemplated by Items 4 and 5 of the Notice being passed, it is proposed that the Management Agreement will be varied so that the Manager is permitted to invest (whether as a result of an underwriting arrangement or otherwise) the Portfolio in equity or equity linked securities (eg convertible debt, or debt with attaching warrants/options) of Permitted Foreign Companies, where:

(a) **'Foreign Company'** means a trust, managed investment scheme, body corporate or other entity that:

- (i) is not incorporated or formed in Australia; or
- (ii) the Manager determines does not have an Australian Nexus; and

(b) **'Permitted Foreign Company'** means a Foreign Company where:

- (i) the value of all equity interests in the Foreign Company at the time of investment by the Company is less than the market capitalisation of the entity listed on ASX which has the 250th highest market capitalisation of all entities on ASX; and
- (ii) at the time of investment by the Company, the Market Value of all of the Company's investments in other Permitted Foreign Companies (if any) when aggregated with the Market Value of the Company's investment in the Foreign Company does not exceed 10% of the then current Portfolio Value.

2.5 Australian Microcap Companies and Permitted Foreign Companies are collectively referred to as **'Portfolio Companies'**.

2.6 Relevantly, the investment instructions:

- (a) prohibit the Manager from causing the Company to enter into Derivative Contracts;
- (b) prohibit the Manager from leveraging the Portfolio;
- (c) prohibit the Manager from creating or allow to persist any short position (including any covered short position) in the Portfolio; and
- (d) require the disposal of securities of a company which has become a Large within such period as set out in the policy adopted by the Board.

3. Powers of the Manager

3.1 Subject to the investment instructions of the Company and any express restrictions set out in the Management Agreement, the Manager has the powers of a natural person to deal with the Portfolio and to do all things and execute all documents necessary for the purpose of managing the Portfolio. However, the Manager must not knowingly do anything which the Manager is prohibited from doing by a Relevant Law and must not without the prior written consent of the Company:

- (a) delegate any of its discretionary management powers under the Management Agreement, except to a related body corporate of the Manager;
- (b) charge or encumber in any way (other than as arises by lien in the ordinary course of business or by statutory charge) any asset in the Portfolio;

- (c) engage in securities lending in relation to the Portfolio; or
- (d) borrow any money or incur any other liability by way of financial accommodation.

- 3.2 For the purposes of carrying out its functions under the Management Agreement, the Manager may (subject to the Manager using reasonable care and diligence), appoint any broker to act in relation to the Portfolio on behalf of the Company (subject to reasonable monitoring of capacity and performance of the broker by the Manager).
- 3.3 Subject to any Relevant Law, the Manager may invest all or part of the Portfolio with funds the Manager manages on behalf of other persons.

4. Exclusivity

- 4.1 The Manager is permitted to perform similar investment and management services to the services performed for the Company for itself and other persons.
- 4.2 The Company is precluded from appointing any other person to manage any of the Company's or the Company's controlled entities' assets or to provide services of the kind being provided by the Manager.

5. Management Fee

The Company must pay the Manager a Management Fee of 0.95% (plus GST) of the Asset Value of the Portfolio from time to time, which is calculated and accrued each month and paid semi-annually in arrears.

6. Performance Fee

- 6.1 In addition, at the end of each Financial Year, the Manager will be entitled to receive a performance fee payment (**Performance Fee Payment**) from the Company. For the purposes of the payment of a performance fee, a Financial Year ends on 30 June, provided that, a Financial Year will be deemed to have ended where the Management Agreement is terminated.
- 6.2 The Performance Fee, which can be positive or negative, will accrue for each month in a Financial Year into an account (**Performance Fee Account**). At the end of the relevant Financial Year, a portion of the aggregate balance is payable at that time when certain tests are satisfied (refer below for details). Any cash payments on account of the Performance Fee will be made when there is a Performance Fee Payment due (which is subject to additional tests) and the Performance Fee Account balance will be reduced by that amount. Any balance will carry forward to the following periods.
- 6.3 In summary, the Manager will be entitled to receive a Performance Fee from the Company equal to 20% (plus GST) of the Portfolio's outperformance of the S&P/ASX Small Ordinaries Accumulation Index subject to satisfaction of various tests. The full terms of the Performance Fee are outlined below.
- 6.4 The Performance Fee is calculated using the following formula:
- $$P = 20\% \times (A - B) \times \text{Portfolio NAV at the end of the last day of the relevant month where:}$$
- 'P'** is the Performance Fee for the relevant month;
- 'A'** is the Investment Return of the Portfolio for the relevant month; and
- 'B'** is the Benchmark Return for the relevant month.

- 6.5 The Performance Fee accrues into the Performance Fee Account as follows:
- (a) if the Performance Fee for each month is positive, it is added to the balance of the Performance Fee Account. If the Performance Fee is negative it is subtracted from the balance of the Performance Fee Account. Hence, the balance in the Performance Fee Account can be either positive or negative;
 - (b) if the Performance Fee Account balance is negative the Manager is not liable for payment; and
 - (c) the balance of the Performance Fee Account will accrue a rate of interest equal to the RBA Cash Rate as at the end of the last day of the relevant month. The accrued interest will form part of the balance of the Performance Fee Account for future periods.
- 6.6 The tests at the end of each relevant Financial Year for Performance Fee Payment are:
- (a) the annual change in the Performance Fee Account balance from the prior Financial Year is positive;
 - (b) the Cumulative Performance Fee at the end of the relevant Financial Year is greater than the Cumulative Performance Fee at the end of any previous Financial Year (the High Watermark); and
 - (c) the Cumulative Performance Fee is greater than zero.
- 6.7 Where all tests are satisfied, the Manager is currently entitled to a Performance Fee Payment, which is equal to the portion of the Performance Fee Account in excess of the Minimum Performance Fee Account Balance.
- 6.8 Subject to the resolutions contemplated by Items 4 and 5 of the Notice being passed, it is proposed that the Company and the Manager will vary the current terms and conditions of the Management Agreement such that, where all tests are satisfied, the Manager is entitled to a Performance Fee Payment, which is equal to:
- (a) where the end of the relevant Financial Year occurs as a consequence of the Management Agreement being terminated, the then current balance of the Performance Fee Account; and
 - (b) where the end of the relevant Financial Year occurs other than as a consequence of this agreement being terminated, the portion of the Performance Fee Account in excess of the Minimum Performance Fee Account Balance.
- 6.9 As detailed in the Management Agreement, the following definitions are relevant for the purposes of the Performance Fee:
- (a) **'Minimum Performance Fee Account Balance'** means:
 - (i) For the Financial Years ending 2014, 2015 and 2016 the Performance Fee Account Balance is the greater of:
 - (A) 50% of the Cumulative Performance Fee; or
 - (B) 50bp of Portfolio NAV;
 - (ii) For the Financial Years ending 2017, 2018 and 2019 the Minimum Performance Fee Account Balance is the greater of:
 - (A) 35% of the cumulative Performance Fee contributions; or
 - (B) 50bp of Portfolio NAV
 - (iii) For the Financial Years ending after 2019 the Minimum Performance Fee Account Balance is 50bp of Portfolio NAV.

- (b) **'Investment Return'** means the percentage by which the Portfolio NAV at the end of the last day of the relevant month exceeds or is less than the Portfolio NAV at the end of the last day of the month immediately prior to the relevant month, excluding any additions to or reductions in equity in the Company during the relevant month including dividend reinvestments, new issues, the exercise of share options, share buy-backs, payment of dividends and the payment of tax. Cumulative Performance Fee means the historical aggregate of all monthly Performance Fees accrued from inception of the Company but not paid.
- (c) **'Benchmark Return'** means, in respect of the relevant month, the percentage by which the S&P/ASX Small Ordinaries Accumulation Index increases or decreases over the course of the relevant month.
- (d) **'Portfolio NAV'** means the Portfolio Market Value reduced by any accrued but unpaid operating expenses of the Company except for Performance Fee accruals and provisions for tax.
- (e) **'Portfolio Market Value'** means the market value of the assets of the Portfolio, calculated in accordance with Accounting Standards.
- (f) **'Financial Year'** means the period from 1 July in one year until 30 June in the following year except that the first financial year is from the Listing Date until the following 30 June, and the final financial year is from the 1 July immediately preceding the date of termination of this agreement until that date of termination.
- (g) **'RBA Cash Rate'** means the Reserve Bank of Australia measure of the target cash rate from time to time.

7. Expenses

- 7.1 The Company must pay or cause to be paid all taxes, costs, charges and expenses properly incurred by the Manager in connection with the investment and management of the Portfolio or the acquisition, disposal or maintenance of any investment of the Portfolio (including all Custodian, Clearing House and brokerage fees and excluding taxes incurred by the Manager in respect of the income of the Manager and also excluding in-house administration costs of the Manager) or in acting under the Management Agreement.
- 7.2 The Manager may allocate costs, charges and expenses incurred in connection with an asset acquired or to be acquired or disposed of on behalf of several persons between those persons proportionately to their respective interests in the relevant asset.

8. Term

- 8.1 The Management Agreement currently provides for the appointment of the Manager for an initial term of 5 years (commencing on the date on which the Company's securities first commenced trading on ASX on a deferred or normal settlement basis, being 1 May 2014).
- 8.2 At any time after the date on which the Company's securities first commenced trading on ASX, the Manager may request that the Company call and arrange to hold a meeting of shareholders to consider and, if appropriate, approve a resolution renewing the term of the Management Agreement for a further period of 5 years (**Renewal Term**), with such 5 year period to commence on the date of the resolution (**Renewal Resolution**). If the Renewal Resolution is approved by shareholders, the term of the Management Agreement will be automatically renewed for the Renewal Term. Once a Renewal Resolution has been passed the Manager is not entitled to any further renewal of the term.

8.3 Subject to the resolutions contemplated by Items 4 and 5 of the Notice being passed, it is proposed that the Company and the Manager will vary the current terms and conditions of the Management Agreement such that the Renewal Term will continue for a period of 7 years and not 5 years.

9. Termination

9.1 The Manager may terminate the Management Agreement by not less than 3 months written notice to the Company. However, any such termination cannot take effect on a date earlier than the end of the Term (meaning the initial term and any renewal term).

9.2 Where:

- (a) the Company believes on reasonable grounds that termination of the Management Agreement and the Manager's role as manager of the Portfolio is necessary for the purposes of the Board complying with its duty to act in the best interests of Shareholders; or
- (b) Shareholders in general meeting pass a resolution approving termination where the Manager has had a reasonable opportunity to state its case in the materials sent to Shareholders prior to the meeting and in person at the meeting,

the Company may terminate the Management Agreement by not less than 3 months written notice to the Manager. However, in these circumstances, any termination of the Management Agreement by the Company cannot take effect on a date earlier than the end of the Term.

9.3 In addition to the above termination rights:

- (a) the Company and the Manager may terminate the Management Agreement at any time by written notice where:
 - (i) the other party defaults under the Management Agreement (and the default is not remedied in the case of the Manager, within 20 business days of receiving notice, and in the case of the Company, within 10 business days of receiving notice);
 - (ii) the other party ceases to carry on business;
 - (iii) a Relevant Law requires the Management Agreement to be terminated; or
 - (iv) the other party goes into liquidation (other than for the purposes of a reconstruction or amalgamation on terms previously approved in writing by the Manager or the Company (as applicable)) or has a receiver, receiver and manager, administrative receiver or similar person appointed; and
- (b) the Manager may terminate the Management Agreement at any time by written notice to the Company if the Company ceases to be listed on ASX or a person (alone or together with the person's Associates) other than the Manager or an Associate of the Manager acquires a relevant interest in more than 50% of the Shares.

9.4 Following termination of the Management Agreement, the Manager may currently deal with the Portfolio for up to 30 business days from the effective date of termination (**Vesting Period**) of the Management Agreement in order to vest control of the Portfolio in the Company (or as the Company may otherwise direct).

9.5 Subject to the resolutions contemplated by Items 4 and 5 of the Notice being passed, it is proposed that the Company and the Manager will vary the current terms and conditions of the Management Agreement such that the Vesting Period will continue for a period of 9 months (and not 30 business days).

10. Company Indemnity

10.1 The Company indemnifies the Manager against any direct loss or liability reasonably incurred by the Manager arising out of, or in connection with, and any direct costs, charges and expenses incurred in connection with, the Manager or any of its officers or agents properly acting under the Management Agreement or on account of any bona fide investment decision made by the Manager or its officers or agents except insofar as any loss, liability, cost, charge or expense is caused by the negligence, fraud or dishonesty of the Manager or its officers or Supervised Agents. This obligation continues after the termination of the Management Agreement. The indemnity given by the Company to the Manager does not extend to any Consequential Loss and the Company is not otherwise liable to the Manager under the Management Agreement for any other loss or liability.

11. Manager Indemnity

11.1 The Manager indemnifies the Company against any direct loss or liability reasonably incurred by the Company arising out of, or in connection with, and any direct costs, charges and expenses reasonably incurred by the Company in connection with:

- (a) any negligence, fraud or dishonesty of the Manager or its officers or Supervised Agents; and
- (b) any negligent, fraudulent or dishonest act or omission of the Manager, its officers, employees, or Supervised Agents.

11.2 This obligation continues after the termination of the Management Agreement. The indemnity given by the Manager to the Company does not extend to any Consequential Loss and the Company is not otherwise liable to the Manager under the Management Agreement for any other loss or liability.

12. Other

12.1 **(Assignment)** Neither the Company nor the Manager may assign any of its rights and obligations under the Management Agreement without the prior written consent of the other party except to a related body corporate of the party upon 5 business days written notice to the other party and subject to the related body corporate agreeing to be bound by the Management Agreement.

12.2 **(Amendment)** The Management Agreement (other than the investment instructions) may be amended by exchange of letters signed by the parties. The investment instructions may only be amended by agreement between authorised representative of the Company and the Manager.

12.3 **(Management of potential conflicts)** The Manager may only invest in, deal with or engage the services of the Manager's related bodies corporate in the ordinary course of business and either on arm's length terms or on terms that are more favourable to the Company than arm's length terms. While the Manager is not prohibited from providing management services to someone else of a similar kind to those being provided to the Company, the Manager is subject to ordinary requirements of confidentiality.



ACORN CAPITAL

INVESTMENT FUND LIMITED

ACN 167 595 897

ACQ

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:



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Victoria 3001 Australia

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Abbotsford, Victoria 3067

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Voting Form

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Vote and view the annual report online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.



Your access information that you will need to vote or lodge your proxy:

Control Number: 9999999

SRN/HIN: I9999999999

PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

Unless you are attending the meeting, for your vote or proxy to be effective it must be received by 10am (Melbourne time) on Wednesday 14 November 2018

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Vote Directly

Voting 100% of your holding: Mark either the For, Against or Abstain box opposite each item of business. Your vote will be invalid on an item if you do not mark any box OR you mark more than one box for that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement.

Appoint a Proxy to Vote on Your Behalf

Appointing the Chairman of the Meeting as proxy: If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you leave Step 1 blank, or your named proxy does not attend the Meeting or does not vote on a poll in accordance with your instructions, the Chairman of the Meeting will be your proxy.

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a Shareholder of the Company

Voting restrictions for members of the key management personnel (KMP) of Acorn Capital Investment Fund Limited (Company): Please note that if you appoint a member of the KMP or one of their closely related parties as your proxy, they will not be able to vote your proxy on item 3, unless you direct them how to vote or you appoint the Chairman of the Meeting as your proxy. If the Chairman of the Meeting is or becomes your proxy by default, but you do not mark a voting box for item 3, then by completing and returning this form, you will be expressly authorising the Chairman of the Meeting, to the extent permitted by law, to exercise your proxy on item 3 as he thinks fit, even though the resolution is connected with the remuneration of the KMP.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you sign this form under Power of Attorney and have not already lodged the Power of Attorney with Computershare, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or corporate proxy is to attend the meeting you will need to provide the appropriate "Appointment of Corporate Representative" prior to admission. A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the Company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE OR LODGE YOUR PROXY, or turn over to complete the form →

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MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise their broker of any changes.



I 9999999999

IND

Voting Form

Please mark to indicate your directions

STEP 1 Indicate How your Vote will be Cast or Appoint a Proxy *Select one option only*

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At the Annual General Meeting of Acorn Capital Investment Fund Limited (Company) to be held at the West Tower Suite of the Sofitel Melbourne on Collins, 25 Collins Street, Melbourne Vic 3000, on Friday 16 November 2018 at 10am (Melbourne time) and at any adjournment or postponement of that Meeting, I/We being member/s of Acorn Capital Investment Fund Limited direct the following:

1. Vote Directly

Record my/our votes strictly in accordance with directions in Step 3.

2. Appoint a Proxy to Vote on Your Behalf: I/We hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

OR

PLEASE NOTE: A Direct Vote will take priority over the appointment of a Proxy. For a valid Direct Vote to be recorded you must mark FOR, AGAINST, or ABSTAIN on each item.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting and at any adjournment or postponement of the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit).

STEP 2 Important note- exercise of proxies by Chairman of the Meeting on item 3: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman of the Meeting becomes my/our proxy by default), by completing and returning this form I/we expressly authorise the Chairman, to the extent permitted by law, to exercise my/our proxy on item 3 (except where I/we have indicated a different voting intention below) even though item 3 is connected directly or indirectly with the remuneration of the key management personnel of the Company, which includes the Chairman of the Meeting.

STEP 3 Items of Business

PLEASE NOTE: If you have appointed a proxy and you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority. If you are directly voting and you mark the **Abstain** box for an item, it will be treated as though no vote has been cast on that item and no vote will be counted in computing the required majority.

ORDINARY BUSINESS

	For	Against	Abstain
Item 2.1 Re-election of John Steven	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2.2 Re-election of David Trude	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 Approval of MA Variations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5 Renewal resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /