

Acorn Capital Microcap Trust

Fund Performance Update - 28 February 2011



Acorn Capital specialises in the microcap sector of the Australian stockmarket. Their stock picking skills have delivered returns above benchmark since the Fund's inception in 2001.

Fund benefits

- an investment focused on the Australian microcap sector
- access to one of Australia's few specialist microcap managers
- a proven track record of successful microcap investment.

Investment objective

The Fund aims to provide investors with capital growth over the long term.

Investment strategy

The Fund primarily invests in microcap securities. Microcaps are defined as those listed companies that lie outside the largest 250 (by market capitalisation) on the Australian Securities Exchange (ASX).

Investment style

Acorn Capital uses an experienced team of analysts, combined with a disciplined investment process to focus on stock selection in an under-researched sector of the market.

A rigorous quantitative and qualitative investment process, with an emphasis on company management and relative valuation, enables Acorn Capital to look at over 1,800 microcaps and narrow the investment universe down to a portfolio of 65 to 80 stocks that can add value and provide diversification.

The Fund exploits the mis-pricing of stocks that arises from the information gap about microcaps to identify those stocks that offer potential long-term capital growth.

Performance as at 28 February 2011

Retail Fund	1 mth %	3 mths %	1 year %	2 years % pa	3 years % pa	5 years % pa	7 years % pa	Since Inception* % pa
Acorn Microcap Trust	3.82	6.00	34.32	55.41	3.82	9.25	11.71	16.29
Acorn Capital/AGSM Microcap Accumulation Index	2.66	10.08	31.29	59.27	4.85	7.48	9.48	13.87
Active Return	1.16	(4.08)	3.03	(3.86)	(1.03)	1.77	2.23	2.42
S&P/ASX Small Ordinaries Accumulation Index	1.28	6.07	21.57	40.79	(2.43)	4.12	9.83	12.41
S&P/ASX100 Accumulation Index	2.41	6.30	7.85	24.56	0.10	4.09	10.01	10.56

Wholesale Fund	1 mth %	3 mths %	1 year %	2 years % pa	3 years % pa	5 years % pa	7 years % pa	Since Inception* % pa
Acorn Capital Wholesale Microcap Trust	3.86	6.23	35.90	57.31	4.30	10.05	12.60	17.14
Acorn Capital/AGSM Microcap Accumulation Index	2.66	10.08	31.29	59.27	4.85	7.48	9.48	11.30
Active Return	1.20	(3.85)	4.61	(1.96)	(0.54)	2.57	3.12	5.84
S&P/ASX Small Ordinaries Accumulation Index	1.28	6.07	21.57	40.79	(2.43)	4.12	9.83	8.96
S&P/ASX100 Accumulation Index	2.41	6.30	7.85	24.56	0.10	4.09	10.01	8.27

Returns are calculated after fees and expenses (excluding any entry fees) and assume the reinvestment of distributions.

Past performance is not a reliable indicator of future performance.

* Inception date for performance calculations is 31 December 2002 for Retail and 28 February 2001 for Wholesale.

Largest portfolio holdings[#]

Stock	Sector*	Actual %
Intrepid Mines	Materials – Resources	5.21
Reckon	Information Technology	5.21
Perseus Mining	Materials – Resources	3.33
Beadell Resources	Materials – Resources	2.51
Cedar Woods	Financials – ex AREITs	2.50
Grange Resources	Materials – Resources	2.50
Starpharma	Health Care	2.37
The Reject Shop	Consumer Discretionary	2.36
IMF (Australia)	Financials – ex AREITs	2.35
Straits Resources	Energy	2.32
Mermaid Marine	Industrials	2.24
Totals		32.90

Sector allocation*

Sector	Trust weight %
Materials	35.29
Industrials	14.33
Energy	11.20
Financials - real estate	9.28
Consumer discretionary	8.72
Cash	6.26
Healthcare	5.17
Information technology	4.08
Financials - ex real estate	2.98
Telecommunication services	1.39
Consumer staples	1.30
Total	100.00

Asset allocation[#]

Asset class	Actual %
Australian equities	93.74
Cash	6.26
Total	100.00

Retail risk/return

	1 year	3 years	5 years
Standard deviation ⁽¹⁾ (% p.a.)	18.13	29.73	26.14
Risk reward ratio ⁽²⁾	1.89	0.13	0.35
Active Return⁽³⁾ (% p.a.)	3.03	(1.03)	1.77
Tracking error ⁽⁴⁾ (% p.a.)	7.66	8.82	8.25
Information ratio ⁽⁵⁾	0.40	(0.12)	0.21
Consistency ⁽⁶⁾ (%)	58.33	55.56	51.67

Wholesale risk/return

	1 year	3 years	5 years
Standard deviation ⁽¹⁾ (% p.a.)	18.28	30.17	26.49
Risk reward ratio ⁽²⁾	1.96	0.14	0.38
Active Return⁽³⁾ (% p.a.)	4.61	(0.54)	2.57
Tracking error ⁽⁴⁾ (% p.a.)	7.68	8.93	8.35
Information ratio ⁽⁵⁾	0.60	(0.06)	0.31
Consistency ⁽⁶⁾ (%)	66.67	55.56	55.00

Best and worst contributors to relative performance[#]

Best contributors	Actual %
Intrepid Mines	0.88
Matrix Composites	0.38
Ardent Leisure Group	0.37
Jabiru Metals	0.33
Starpharma Holdings	0.31

Worst contributors	Actual %
International Coal	(0.62)
Grange Resources	(0.24)
Indophil Resources	(0.22)
The Reject Shop	(0.21)
Pharmaxis	(0.18)

* Sectors have been defined based on GICS (Global Industry Classification Standard).

The Australian Unity Acorn Microcap Trust invests in its wholesale equivalent, the Acorn Capital Wholesale Microcap Trust and will therefore have the same portfolio holdings.

(1) Annualised standard deviation of the Fund's monthly returns. A measure of the variability of returns.

(2) Return divided by standard deviation. A measure of the return earned per unit of risk taken.

(3) Return earned by the Fund less the benchmark return (the Acorn Capital/AGSM Microcap Accumulation Index). A measure of the value added relative to the benchmark returns.

(4) The annualised standard deviation of the monthly excess returns. A measure of the variability of the Fund's returns relative to the benchmark returns.

(5) The excess return divided by the tracking error. A measure of the value added per unit of risk taken relative to the benchmark.

(6) The number of positive excess monthly return periods as a percentage of the total periods. A measure of the consistency of outperformance.

Fund snapshot

	Australian Unity Acorn Microcap Trust	Australian Unity Wholesale Acorn Microcap Trust
APIR Code	AUS0115AU	AUS0108AU
Inception date	31 December 2002	28 February 2001
Fund size (net asset value)	\$12.56 m	\$ 243.05 m
Minimum initial investment	\$1,000	\$25,000*
Entry/contribution fee	up to 4.10%	nil
Exit/withdrawal fee	nil	nil
Management costs	2.50% pa	1.65% pa
Buy/Sell spread	Buy: 0.20% Sell: 0.20%	Buy: 0.20% Sell: 0.20%
Income distributions	annually	annually
Adviser commission - initial remuneration	4.40%	nil
Adviser commission - service remuneration	0.44%	nil

* Lower minimum may apply if investing through an IDPS/Masterfund.

Rating summary

Research house	Current rating
S&P [#]	Four Stars
Lonsec	Investment Grade
van Eyk	Please refer to van Eyk ¹

¹ van Eyk does not authorise fund managers to publish their ratings.

Sector in review

Overall, the Australian sharemarket advanced during February. This followed largely mixed results in the first month of 2011, as markets reacted to the extreme floods and cyclones experienced across Australia.

During February, the microcap sector outperformed the broader market marginally. Specifically, it was lifted by the recovery in the Materials – Resources sector (+3.99%), coupled with strong performances from the Telecom Services (+5.81%) and Financials (+7.79%) sectors. On the negative side, Utilities (-6.40%) and Materials – ex Resources (-5.90%) provided the weakest performance.

As measured by the Acorn Capital/AGSM and S&P/ASX, the microcap sector returned 2.66% for February – a solid increase over January's slightly negative performance. This result outshone the lesser performance of Small Caps (1.27%)¹ and just scraped in ahead of the Large Caps, which provided a return of 2.44%² for the month.

For the current financial year to date, the performance of the microcap sector (43.50%) continues to comfortably lead the performances of Large Caps (14.94%) and Small Caps (28.70%). It is also well ahead on a 12-month rolling basis. Looking even further back, the sector has impressively outperformed both large and small caps over a five- and ten-year timeframe.

Fund in review

The Fund's portfolio recorded a return of 1.20% for the month, underperforming the microcap sector benchmark.

Key contributors to performance for February 2011 included the portfolio's exposures to Intrepid Mines, Matrix Composites and Ardent Leisure Group. Detractors from performance for the month included International Coal, Grange Resources and Indophil Resources.

Outlook

While our outlook for Australian corporate profits and local share prices throughout 2011 is generally positive, how markets will react to significant global events remains uncertain. Our observation of markets over the last three years is that investor sentiment remains fragile and markets are prone to knee-jerk reactions. Alongside the unfolding tragedy in Japan, the persistent European sovereign debt crisis, political unrest in the Middle East and tightening of lending conditions in China remain significant headwinds for equity markets throughout the coming year.

Despite the potential for market shocks and the likelihood of a measure of ongoing volatility, our broad view for 2011 is that strong Chinese economic growth will proceed and US equity markets will gradually rise in line with strengthening consumer confidence and falling unemployment levels. Locally, too, we envisage that Australia's economic growth is likely to continue for the medium term.

While returns have been close to spectacular for the financial year to date, we continue to believe, that there are many and multiple investment opportunities in the microcap marketplace. As a result, our view is that the microcap market will continue to provide solid returns for investors over the medium term.

¹ Measured by the S&P/ASX Small Ordinaries Accumulation Index

² Measured by the S&P/ASX 100 Accumulation Index

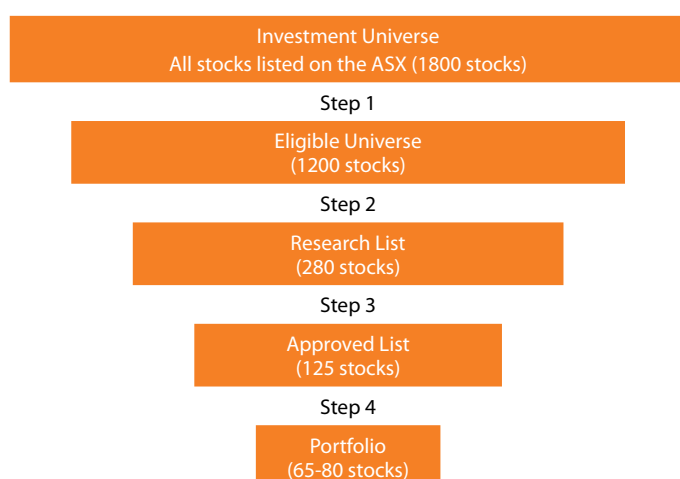
Our microcap investment process

Established in 1998, Acorn Capital is Australia's only microcap specialist manager focused solely on the microcap sector of the Australian share market.

The key characteristic of the microcap sector is the size of the average stock in the sector being less than 1/5th of the market capitalisation of the average All Ordinaries' company. Acorn Capital's investment philosophy targets the management of microcap portfolios in a way that:

- is founded on structured, fundamental investment analysis
- makes full use of the Acorn Capital research team's business and financial markets experience, and
- is professionally and academically rigorous.

Acorn Capital's approach to portfolio construction includes the following steps:



Step 1 - exclude suspended companies and companies with a market capitalisation of less than \$10 million.

Step 2 - initial screen: quantitative and subjective analysis creates the Research list.

Step 3 - investment research with emphasis on company management and relative valuation creates the Approved list.

Step 4 - portfolio construction aimed at minimising market impact creates the Fund Portfolio.

Trading and execution are important to the successful investment management of microcap portfolios. On the basis of its research, Acorn Capital has adopted a trading strategy designed to minimise market impact.

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