

# Acorn Income Fund Limited

## Objective

The aim of the Company is to provide shareholders with a high level of income and also the opportunity for capital growth.

## Key facts

Gross assets	£106.1m
Domicile	Guernsey
Launch date	11 Feb 1999
Reporting dates	Final - 31 Dec Interim - 30 Jun
ISA eligible	Yes
Continuation vote	2021

**AIC sector**  
UK Equity & Bond Income

**Performance comparator**  
25% Bank of America Merrill Lynch Sterling Non-Gilts Index  
75% Numis Smaller Companies ex IT Index

## Trust managers



**Fraser Mackersie**  
Unicorn Asset Management  
Manager since  
**Dec 2013**



**Chun Lee**  
Premier Miton Investors  
Manager since  
**Aug 2019**



**Robin Willis**  
Premier Miton Investors  
Manager since  
**Aug 2019**



**Simon Moon**  
Unicorn Asset Management  
Manager since  
**Dec 2013**

## Directors

Nigel Ward (Chairman), Sharon Parr, David Warr, Nigel Sidebottom

## Investment approach

The Company invests in two portfolios; Smaller Companies Portfolio: between approximately 70% and 80% of the assets will be invested predominantly in smaller UK companies. Income Portfolio: between approximately 20% and 30% of

the assets will comprise fixed interest securities, including convertible securities, investment company shares and structured investments across a range of asset classes

## Awards and ratings



Ratings are not a recommendation. Please see page 5 for further information.

## Performance over 10 years (%)



Cumulative performance (%)	1m	3m	1y	3y	5y	10y
■ Ordinary share price	4.27	9.30	57.32	3.68	36.68	228.89
■ NAV	4.10	6.57	52.58	16.57	49.71	260.76
■ ZDP share price	0.31	1.24	6.54	6.89	19.85	-
■ Index	3.91	4.54	35.31	29.12	58.43	181.47

Calendar year performance (%)	2016	2017	2018	2019	2020	YTD
Ordinary share price	-6.32	34.52	-24.51	28.59	-14.05	17.47
NAV	7.21	23.83	-17.16	27.46	-17.28	28.67
ZDP share price	5.79	8.52	0.17	2.64	0.96	3.82
Index	12.18	16.53	-9.65	20.31	2.06	16.99

Discrete annual performance (%)	31.08.16 31.08.17	31.08.17 31.08.18	31.08.18 30.08.19	30.08.19 28.08.20	28.08.20 31.08.21
Ordinary share price	30.82	0.77	-17.57	-20.06	57.32
NAV	27.72	0.55	-8.34	-16.65	52.58
ZDP share price	7.35	4.45	1.97	-1.61	6.54
Index	17.57	4.36	-2.18	-2.45	35.31

Source for all performance data: Morningstar, FE Analytics.

**Key risks:** The value of investments may fluctuate which will cause fund prices to fall as well as rise and investors may not get the original amount invested. The performance information presented on this page relates to the past. Past performance is not a reliable indicator of future returns. Reference to any stock or fund is not a recommendation for investment purposes. More information about the risks of investment is provided later in this document.



## Smaller companies portfolio

### Manager commentary

The Acorn equity portfolio recorded a total return of +3.4% in August.

The largest contributor during the month was Warpaint London, which added +0.6% to overall portfolio performance in spite of an absence of company specific news. Macfarlane Group was the second largest contributor, adding +0.5% to portfolio performance. The company reported strong interim results, including +26.5% growth in revenues to £133.5 million. The company is benefiting from the ongoing structural shift towards online retail, as well as a recovery in demand for packaging from industrial businesses.

One of the principal detractors was Hostelworld Group, which cost -0.2% in portfolio performance terms. The company reported interim results which were in line with expectations, reflecting the ongoing negative impact of travel restrictions on hostel bookings. Whilst the short-term outlook for the travel industry remains challenging, the company has a strong balance sheet and is well placed to benefit from a recovery in demand for hostel bookings as global travel restrictions are eased.

**Fraser Mackersie & Simon Moon**

Unicorn Asset Management

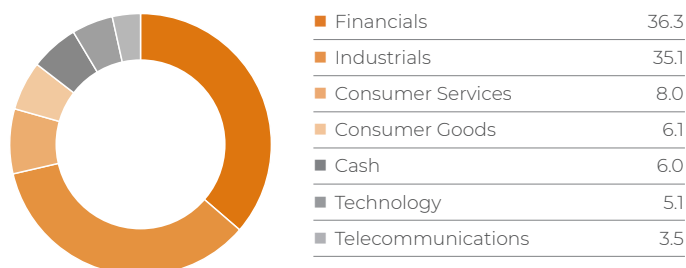
31.08.2021

## Smaller companies portfolio breakdown 83.6%

### Top 10 holdings (%)

Polar Capital Holdings	4.4
Chesnara	3.6
Telecom Plus	3.5
Somero Enterprises	3.4
Warpaint London	3.4
Sabre Insurance Group	3.4
Vesuvius	3.4
Primary Health Properties	3.1
Severfield	2.9
Ocean Wilson Holdings	2.8

### Sector (%)



## Income portfolio

### Manager commentary

During the month we sold our SSE holding following reports that activist shareholder Elliot Management had built up a large stake in the company. Whilst the company will likely remain a leader in the UK's energy transition story, due to its highly valuable renewable and electric network assets, there could be credit ratings pressure should Elliot seek a breakup of the group to try and realise the value of these assets. Higher debt and more shareholder friendly policies are also a risk to bondholders, especially bonds that have been issued by the holding company.

The investment company positions performed solidly during August. The positions in Hipgnosis Songs and Real Estate Credit Investments were trimmed during the month following positive share price performance.

**Chun Lee & Robin Willis**

Premier Miton Investors

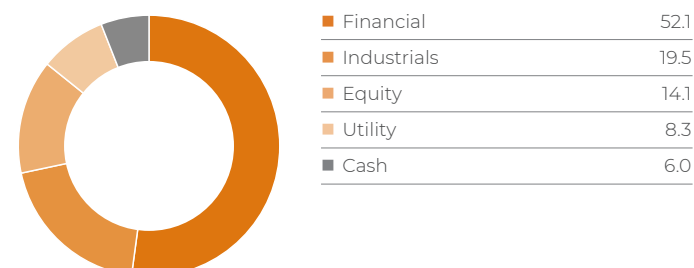
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## Income portfolio breakdown 16.4%

### Top 10 holdings (%)

APQ Global 3.5% CULS Sep 2024	4.0
AT&T 2.90% Apr 2026	3.1
Citigroup 1.75% Oct 2026	2.9
Verizon Communications 1.875% Sep 2030	2.9
Goldman Sachs 1% Dec 2025	2.6
Goldman Sachs 3.125% Jul 2029	2.6
Orange 8.125% EMTN Nov 2028	2.5
Wells Fargo 2.5% May 2029	2.4
Barclays 3.125% Jan 2024	2.4
HSBC Holdings 2.256% Nov 2026	2.4

### Sector (%)





## Share class information

### Ordinary shares

Share price	366.50p
NAV	450.33p
Premium/(Discount)	(18.62%)
Gearing	49.09%
ISIN	GB0004829437
Sedol	0482943
Bloomberg	AIF:LN

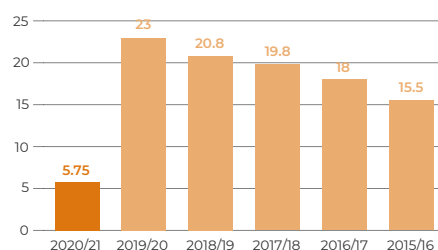
### ZDP shares

Repayment date	28 Feb 2022
Share price	163.00p
NAV	164.10p
Premium/(Discount)	(0.67%)
Redemption value	167.20p
Gross redemption yield	5.27%
Hurdle rate	-88.84%
Cover	2.90x
ISIN	GG00BYMJ7X48
Sedol	BYMJ7X4
Bloomberg	AIFZ:LN

## Income (ordinary shares)

### Income distribution (pence per share)

Total income distributions in each of the trust's last 6 financial years.



	1st Interim	2nd Interim	3rd Interim	4th Interim	Total
2020/21	5.75p	-	-	-	5.75p
2019/20	5.75p	5.75p	5.75p	5.75p	23.00p
2018/19	5.20p	5.20p	5.20p	5.20p	20.80p
2017/18	4.95p	4.95p	4.95p	4.95p	19.80p
2016/17	4.50p	4.50p	4.50p	4.50p	18.00p
2015/16	3.50p	4.00p	4.00p	4.00p	15.50p

### Dividend yield

6.28%

The historic yield reflects distributions declared over the past twelve months as a percentage of the share price of the fund. The yield is not guaranteed and will fluctuate.

### Revenue reserve

12.36p per share

as at 31.12.2020

### Expected payment dates

Mar, Jun, Sep, Dec

### Dividend policy

The Company aims to pay a higher total annual dividend relative to the average dividend yield of the Numis Smaller Companies Index ex Investment Companies..

## Charges

Ongoing charges figure (OCF)	1.98%
as at 31.12.2020	

The ongoing charges figure (OCF) is not the same as the ongoing costs figure set out in the Company's key information document. The key differences are that gearing costs and portfolio transaction costs are not included in the OCF. In addition costs are calculated on slightly different bases. The OCF figure set out above mirrors that in the Reports and Accounts and is based on costs incurred in the year which are likely to recur in the foreseeable future. The ongoing costs figures in the key information document provide investors with the impact costs have had on returns averaged over the five year recommended holding period.

Annual management charge	0.70%
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Charged 75% to capital, 25% to revenue.

Transaction costs	0.19%
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The impact of the costs of the Company buying and selling underlying investments, based on the methodology used in the key information document.

For more information about the impact of costs and charges on your investment, please read the Key Information Document.



## General risks

All types of investment carry a degree of risk. It is possible you could lose some, or all, of the money you invest. The level of risk varies depending on the type of investment.

Typically, you are less likely to lose money over the long term from an investment that is considered low risk, although potential returns may also be lower. Investments considered higher risk typically offer greater opportunities for better long-term returns, though the risk of losing money is also likely to be higher.

When you invest, it is important that you understand the risk to your money and are comfortable with that level of risk. If you are unsure, we would recommend that you consult a financial adviser.

Past performance of an investment is not an indication of how it will perform in the future. The value of your investment and any income generated by your investment can go down as well as up, and you could get back less than you invested.

The value of your investment might not keep up with any rise in the cost of living.

You could lose money if financial markets fall.

There is no guarantee that the investment objective of the trust will be achieved.

The levels of taxation that apply to income or capital gains from the trust, including any tax relief that may be available, will depend on your personal tax situation.

Trusts with similar objectives may not perform in the same way as they are likely to have different holdings or hold different amounts of the same investment.

Performance will be affected by investment decisions made by the fund managers.

## Other risks

Some of the main specific risks of investing in this trust are summarised here.

### Alternative investments

These typically behave differently to traditional investments such as bonds and equities. They can include a range of assets such as specialist lending, private equity, hedge funds and gold. Adding alternative investments to a portfolio can help to make it more diverse but can also make it more volatile.

### Collective investment schemes (funds)

Where funds are held in the portfolio, or where there is indirect exposure to other funds, these could include higher-risk investments like hedge funds, property funds or commodity funds (e.g. investing in gold, oil), which would increase the overall risk in the trust.

### Call options

A type of derivative. Call options can be used for a number of reasons; they can be used to generate income or to gain exposure to an asset. These can make a trust more volatile from time to time.

### Counterparty credit

Some securities or financial instruments rely on payments or guarantees from a counterparty. This is a role usually undertaken by a bank or similar entity.

### Currency

Where investments in a trust are denominated in currencies other than sterling (for example, if a trust holds assets priced in euros), its value will be affected by changes in the relevant exchange rate. Certain other investments, such as the shares in companies with profits from other countries, will also be affected.

### Derivative

A contract whose value is based on the change in price of a specific asset or index. When derivatives are used within a trust, it doesn't necessarily increase risk. However, price changes in the underlying asset can translate into big swings in the value of derivatives (up and down), which has a direct effect on the value of the trust.

### Equities

Equities (shares) can experience high levels of price fluctuation.

### Fixed interest securities

Government and corporate bonds generally offer a fixed level of interest to investors, so

their value can be affected by changes in interest rates. When central bank interest rates fall, investors may be prepared to pay more for bonds and bond prices tend to rise. If interest rates rise, bonds may be less valuable to investors and their prices can fall.

### Gearing / leverage

Trusts that use gearing / leverage (this can be achieved by the use of derivatives) can experience significantly higher price fluctuations.

### Geographic concentration

Trusts that have a strong focus on a particular country or region can carry a higher risk than trusts with a more diversified portfolio.

### Hedging

A hedge is designed to offset the risk of another investment falling in price. It can also act as a limit on potential gains if the investment that has been hedged increases in value.

### Inflation

Higher inflation can lead to some investments falling in value, particularly those with a fixed level of interest, for example government bonds and corporate bonds.

### Interest rate

Changes in central bank interest rates can affect all types of assets, in particular, securities such as government bonds and corporate bonds that generally offer a fixed level of interest. If interest rates go up, the value of a bond may fall, and vice versa.

### Issuer credit

There are times when the issuer of a security (for example, a company that has issued a bond) is unable to make income payments or repay its debt. When this happens it can result in losses for the trust.

### Legal and tax

The income or capital gains from investments can sometimes be affected by changes in legal and tax regulations or how these rules are applied.

### Liquidity

In some instances, for example, when market conditions generally are difficult, holdings in a trust may be difficult to sell and buy at the desired price. The trust value could fall as a result.

### Non-investment grade bonds

Bonds with a higher risk that the bond issuer might not meet its income or repayment

obligations, as assessed by independent bond rating companies.

### Operational

Processes, systems and controls around your investment might fail. The more complex or unusual the investments that the trust holds, the more likely this is to happen. For example, developing markets may have less reliable systems or lower standards of governance than more developed markets.

### Property and Real Estate Investment Trusts

Property values can rise and fall sharply depending on the strength of a country's economy.

### Put-options

A type of derivative. Put-options can be used for a number of reasons. For example, they can be used to protect the value of an underlying investment or group of investments against a fall in value. They can be thought of as an insurance policy. These can make a trust more volatile from time to time.

### Over The Counter derivatives (OTC)

These are types of derivatives that are not traded on a public exchange. Agreed privately between two parties, OTC derivatives can be tailored to meet the exact needs of each party. They can make a trust more volatile from time to time.

### Smaller companies

Investment in smaller companies is typically higher risk than investment in larger companies. Shares in smaller companies can experience greater levels of volatility.

### Structured investments

These investments are built around a derivative and have specific criteria that need to be met to deliver a positive return. If these criteria are not met, the investment can fall sharply in value.

### Unregulated collective investment schemes

These investments can carry additional risks as they are not subject to the same level of regulation as authorised or regulated schemes.

### Zero dividend preference shares (ZDPs)

Issued by investment trusts. ZDPs have a maturity date, pay no income but pay a set amount at maturity. Serious falls in market levels can alter their structure and lead to falling values.



## Ratings, awards and other information

The methodology and calculations used by the companies or organisations that provide the fund or fund manager awards and ratings are not verified by us

and we therefore are unable to accept responsibility for their accuracy. Ratings and awards should not be relied upon for making an investment decision, nor are

they an indication, promise or guarantee of future performance of a fund or fund manager.

## Glossary

### Annual management charge (AMC)

The fee paid to Premier Miton for the different costs associated with managing your investment each year and is expressed as a percentage of your investment. The AMC does not typically change from year to year.

### Assets

Different groups of investments such as company shares, bonds, commodities or commercial property.

### Bonds (or fixed income)

Types of investments that allow investors to loan money to governments and companies, usually in return for the offer of the pay-out of a regular fixed amount of money until the bond's maturity date, plus the return of the original value of the bond at a set maturity date. The price of bonds will vary and the investment terms of bonds will also vary.

### Capital

Describes financial assets, particularly cash, or other assets, such as shares, owned by a person or organisation.

### Capital growth

The increase in value of your original investment. Investments can potentially grow with or without dividends (income) reinvested.

### Collective Investment Schemes

A generic term for investment funds with more than one investor, such as unit trusts, OEICs and investment trusts.

### Dividends

The portion of its capital that a company chooses to return to its shareholders. For a fund, this is the payment of fund's income to its shareholders.

### Equities

Another name for shares (or stock) in a company.

### ISA

This stands for Individual Savings Account and is a type of tax-free scheme, set up by the government, designed to help people make the most of their savings and investments. All income and gains from an ISA investment are exempt from UK Income Tax and Capital Gains Tax. HM Revenue and Customs sets the maximum amounts that you are allowed to invest into an ISA each tax year.

### Net Asset Value (NAV)

The total of a company's assets minus its liabilities. The net asset value per share is the total of a company's assets minus its liabilities divided by the number of shares in issue.

### Ongoing Charges Figure (OCF)

A measure of what it costs to invest in a fund over a year. It includes the fee paid to

Premier Miton for the management of the fund (known as the annual management charge), with the remainder covering costs that have to be paid to external companies for other services relating to the ongoing administration and management of a fund, such as the fees paid to the depositary, custodian, regulator, auditor and administrator. The fee is deducted from the value of the fund and reflected in the fund's share price. The OCF is typically published once a year and can change from year to year.

### Total return

A way of showing how an investment has performed, and is made-up of the capital appreciation or depreciation and includes any income generated by the investment. Measured over a set period, it is expressed as a percentage of the value of the investment at the start of that period.

### Yield

The dividend per share divided by the stock's or fund's price per share and expressed as a percentage. The historic yield is the dividend income distributed during the past year and expressed as a percentage of the share price on a particular day.

### Zero dividend preference shares (ZDPs)

Issued by investment trusts. ZDPs have a maturity date, pay no income but pay a set amount at maturity.

## Corporate contacts

### Investment Manager

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GY1 3QL

✉ [Team\\_Acorn@ntrs.com](mailto:Team_Acorn@ntrs.com)

### Registrar

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☎ 01481 702 400

✉ [registrars@jtcgroup.com](mailto:registrars@jtcgroup.com)

## Contact us

From 9:00am to 5:30pm, Monday to Friday, excluding bank holidays.

☎ 0333 456 4560

✉ [contactus@premiermiton.com](mailto:contactus@premiermiton.com)

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For your protection, calls may be monitored and recorded for training and quality assurance purposes.

A free, English language copy of the trust's full prospectus, the Key Information Document and Pre-investment Disclosure Document are available on the Premier Miton website, or you can request copies by calling us on 01483 306090.

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