

Investment Update

As at 30 April 2018



Spheria Emerging Companies Limited
ACN 621 402 588

Pre-tax net tangible assets⁴
\$2.045

Company⁷ performance
(since inception)
2.3%

Company Facts

Investment Manager	Spheria Asset Management Pty Limited
ASX Code	SEC
Share price	\$1.98
Inception date	30 November 2017
Listing date	5 December 2017
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Management Fee	1.00% (plus GST) per annum ¹
Performance Fee	20% (plus GST) of the Portfolio's outperformance ²
Market Capitalisation	\$131m

¹ calculated daily and paid at the end of each month in arrears

² against the Benchmark over each 6-month period subject to a high water mark mechanism

Investment Objectives

- To deliver total returns in excess of the Benchmark over each full investment cycle
- To provide capital growth over each full investment cycle
- Aim to pay fully franked dividends (at least annually)

Company Overview

Spheria Emerging Companies Limited is a listed company that provides investors with access to an actively managed, Australian and New Zealand small and micro companies portfolio, designed for investors seeking capital growth and portfolio diversification.

It is a confined capacity investment strategy that identifies smaller companies where the present value of cash flows can be reasonably determined and they are assessed to be trading at a discount to their intrinsic value.

The smaller companies universe is more volatile and higher risk. An experienced investment manager in the small company end of the market is paramount to success, for this reason there are only a small number of listed investment companies offering access to a diversified small companies investment portfolio.

Spheria Asset Management Pty Ltd is the appointed investment manager and is a specialist team with a track record of navigating the higher risk opportunities at the small end of the market.

Commentary

The Company's NTA increased 0.5% over the month after all Portfolio expenses and Company costs. This lagged the Benchmark which rose 2.8%, paced by small resources at the larger end of the index including Beach Energy, Metcash, Worleyparsons and Sims Metal Management – none of which the Portfolio owns. The market's propensity to back price momentum making it difficult for investors with a valuation lens. Post month end, our largest holding Sirtex Medical was subject to a conditional takeover offer from CDH Investments at a 20% premium to the existing recommended takeover offer from Varian. Our research indicates that Sirtex Medical is an extremely valuable business that is potentially worth multiples of its market valuation hence why we retained the majority of the Portfolio's holding. Therefore we were not surprised a second bidder materialized, although the timing did shock. Given our view on valuation upside, we believe there is a good probability CDH's approach results in a formal takeover offer.

Net Tangible Assets (NTA)³

Pre-tax NTA⁴	\$2.045
Post-tax NTA⁵	\$2.047

³ NTA calculations exclude Deferred Tax Assets relating to capitalised issue cost related balances and carried forward tax losses of \$0.000 per share

⁴ Pre-tax NTA includes tax on realised gains and other earnings, but excludes any provisions for tax on unrealised gains

⁵ Post-tax NTA includes tax on realised and unrealised gains and other earnings

Performance as at 30th April 2018

	1m	3m	Inception⁶
Company⁷	0.5%	-4.1%	2.3%
Benchmark⁸	2.8%	0.4%	2.8%

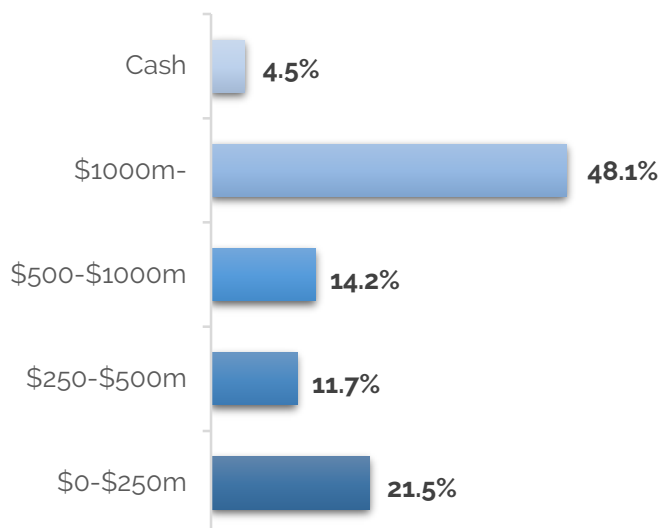
Past performance is not a reliable indicator of future performance.

⁶ Inception date is 30th November 2017

⁷ Calculated as movement in Company's pre-tax NTA

⁸ Benchmark is the S&P/ASX Small Ordinaries Accumulation Index

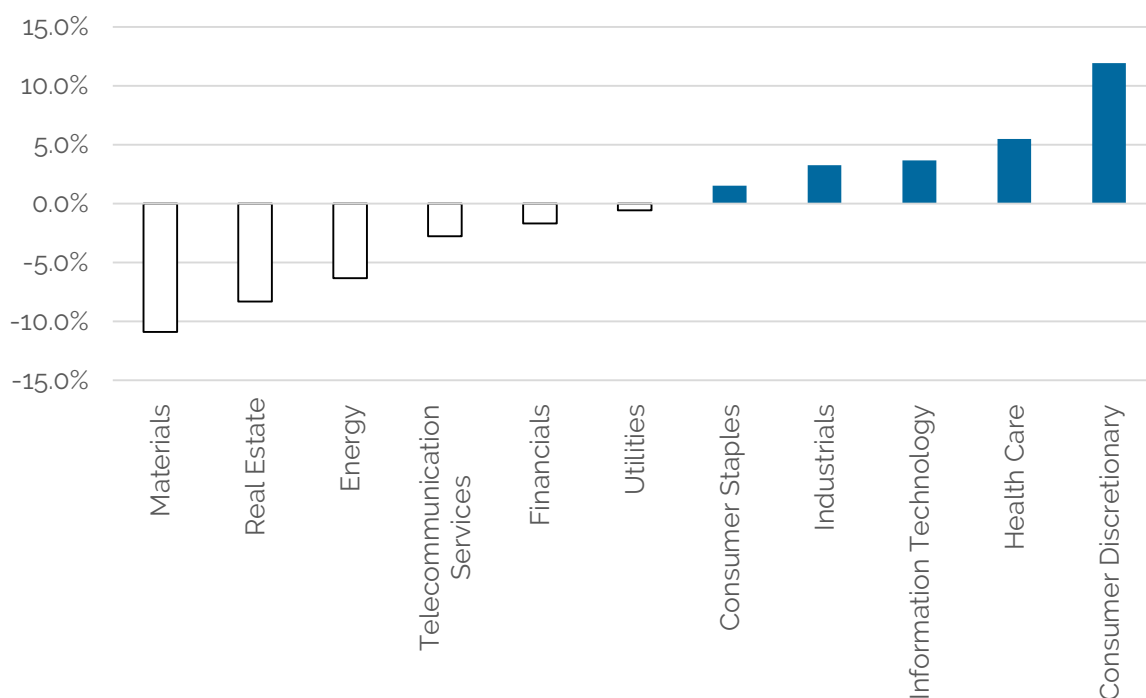
Market Cap Bands



Top 5 Holdings

Company Name	% Portfolio
Sirtex Medical	8.2
Monadelphous Group	4.9
Bega Cheese Ltd	4.5
Fletcher Building	4.3
Navitas Limited	4.1
Top 5	26.0

Active Sector Exposure



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