

Investment Update

As at 31 December 2017



Spheria Emerging Companies Limited
ACN 621 402 588

Pre-tax net tangible assets⁴
\$2.064

Portfolio⁸ performance
(since inception⁶)

3.5%

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 investment portfolio performed strongly during the month despite the cash drag from not being fully invested in a fast rising market. Rampant speculation highlighted by Bitcoin's ascendancy concerns us. The focus continues on smaller companies that are generating 'real' cash flow whose valuations are depressed. This should afford protection when the market's exuberance wanes. The portfolio benefited from a large position initiated in AWE post the initial approach from China Energy Reserve and Chemical Group (CERCG). Subsequently, AWE recommended a superior counter offer from Mineral Resources (MIN). It would not be surprising if an additional suitor enters the frame given the Waitsia project is a unique and compelling proposition that more than likely has significant upside relative to current base case metrics.

Net Tangible Assets (NTA)³

Pre-tax NTA⁴	\$2.064
Post-tax NTA⁵	\$2.043

³ NTA calculations exclude Deferred Tax Assets relating to capitalised issue cost related balances and carried forward tax losses of \$0.001 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 31st December 2017

	1m	Inception⁶
Company⁷	3.2%	3.2%
Portfolio⁸	3.4%	3.5%
Benchmark⁹	3.2%	2.9%

Past performance is not a reliable indicator of future performance.

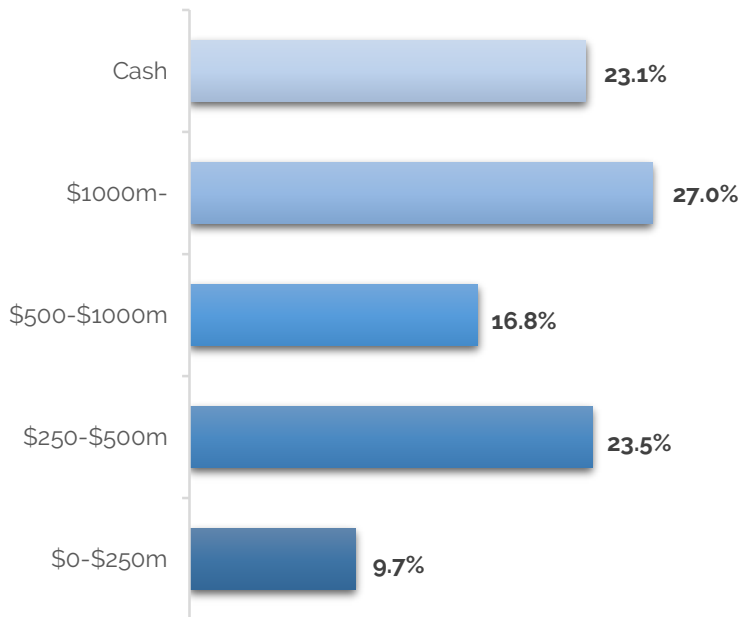
⁶ Inception date is 30th November 2017

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

⁸ Performance is quoted net of portfolio related fees, costs and taxes

⁹ Benchmark is the S&P/ASX Small Ordinaries Accumulation Index

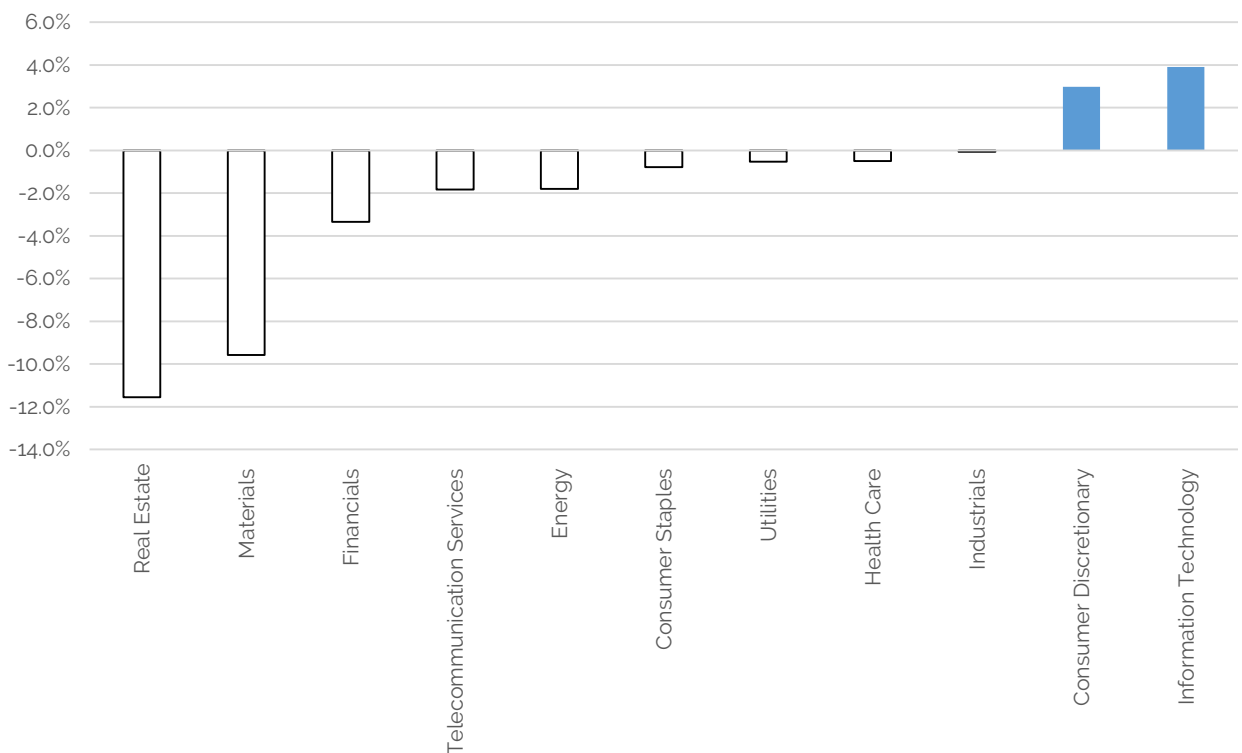
Market Cap Bands



Top 5 Holdings

Company Name	% Portfolio
AWE Limited	5.5
Sirtex Medical	4.6
Platinum Asset	3.9
Monadelphous Group	3.7
Class Limited	3.5
Top 5	21.2

Active Sector Exposure



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