

## Investment Update

As at 31 st July 2018



**Spheria Emerging Companies Limited**  
**ACN 621 402 588**

Pre-tax net tangible assets<sup>4</sup>  
**\$2.087**

Company<sup>7</sup> performance  
(since inception)

**4.4%**

## Company Facts

<b>Investment Manager</b>	Spheria Asset Management Pty Limited
<b>ASX Code</b>	SEC
<b>Share price</b>	\$1.94
<b>Inception date</b>	30 November 2017
<b>Listing date</b>	5 December 2017
<b>Benchmark</b>	S&P/ASX Small Ordinaries Accumulation Index
<b>Management Fee</b>	1.00% (plus GST) per annum <sup>1</sup>
<b>Performance Fee</b>	20% (plus GST) of the Portfolio's outperformance <sup>2</sup>
<b>Market Capitalisation</b>	\$129m

<sup>1</sup> calculated daily and paid at the end of each month in arrears

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

## Commentary

The Company's NTA decreased 0.7% over the month after all Portfolio expenses and Company costs including tax on realised gains. The S&P/ASX Small Ordinaries Accumulation Index declined 1.0%.

We continue to see two areas of the smaller companies market which appear over-valued: the larger end momentum style stocks and at the bottom end the "wannabe disruptors". We hold the view that the market resembles a "voting machine" in the short term but a "weighing machine" in the longer run. Cash flow valuations – which are central to our process – are more akin to using a weighing machine to determine value than the myriad of shorter term approaches. The Company had good performance from its holdings Technology One (TNE.ASX) and Mortgage Choice (MOC.ASX). The Company did not hold Afterpay (APT.ASX) which performed strongly in July largely because it doesn't meet our investment process.

## Net Tangible Assets (NTA)<sup>3</sup>

<b>Pre-tax NTA<sup>4</sup></b>	\$2.087
<b>Post-tax NTA<sup>5</sup></b>	\$2.096

<sup>3</sup> NTA calculations exclude Deferred Tax Assets relating to capitalised issue cost related balances and carried forward tax losses of \$0.001 per share

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

<sup>5</sup> Post-tax NTA includes tax on realised and unrealised gains and other earnings

## 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)

## Performance as at 31<sup>st</sup> July 2018

	<b>1m</b>	<b>3m</b>	<b>6m</b>	<b>Inception<sup>6</sup></b>
<b>Company<sup>7</sup></b>	-0.7%	2.1%	-2.2%	4.4%
<b>Benchmark<sup>8</sup></b>	-1.0%	3.7%	4.2%	6.7%

Past performance is not a reliable indicator of future performance.

<sup>6</sup> Inception date is 30<sup>th</sup> November 2017

<sup>7</sup> Calculated as movement in Company's pre-tax NTA, which includes tax on realised gains and other earnings, but excludes any provisions for tax on unrealised gains

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

## Company Overview

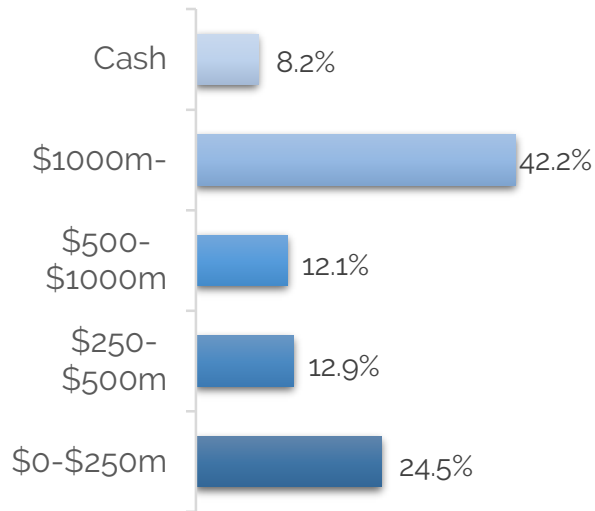
Spheria Emerging Companies Limited is a listed company that provides investors with access to an actively managed, Australian and New Zealand small and micro companies portfolio, designed for investors seeking capital growth and portfolio diversification.

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.

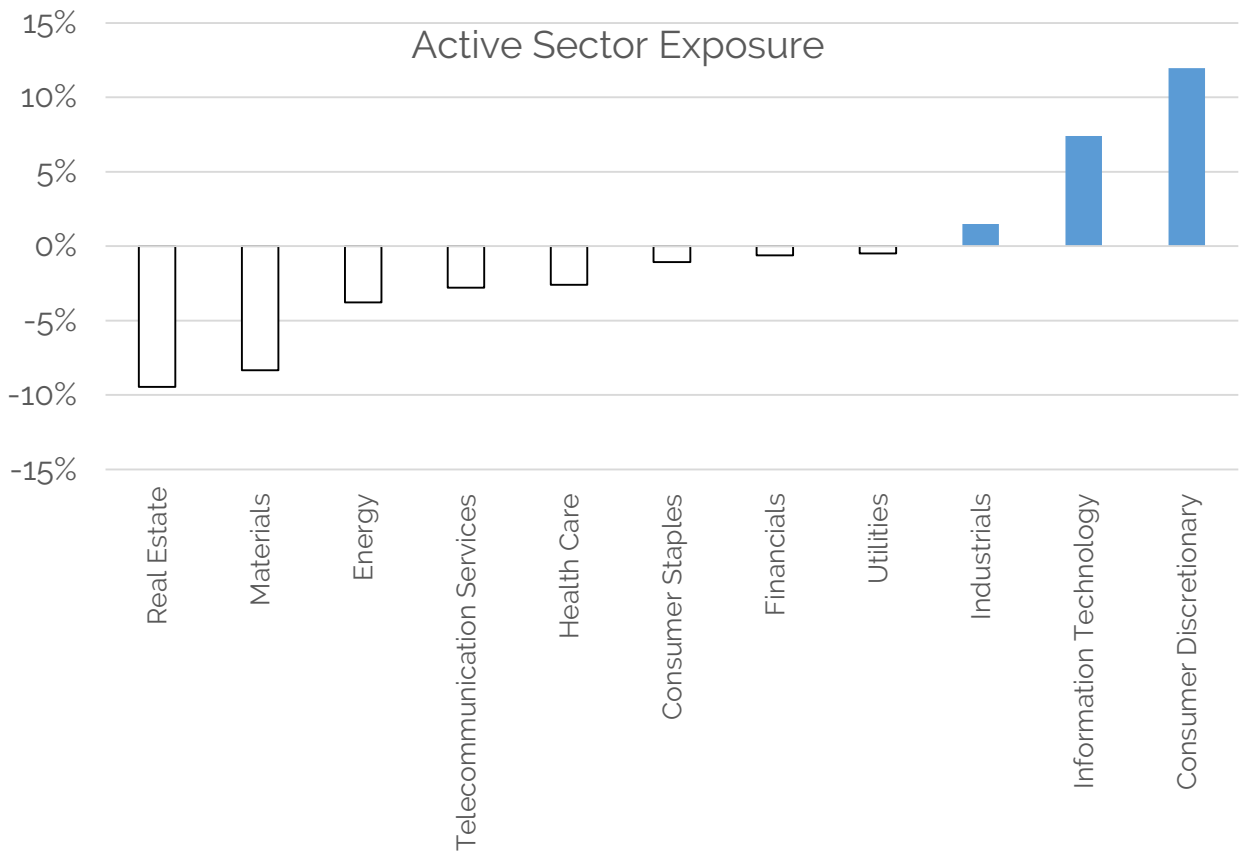
Spheria Asset Management Pty Ltd is the appointed investment manager and is a specialist team with a track record of navigating the higher risk opportunities at the small end of the market.

## Market Cap Bands



## Top 5 Holdings

Company Name	% Portfolio
Technology One	5.4
Fletcher Building	5.2
Navitas Limited	4.9
Ht&E Limited	4.7
Platinum Asset	4.6
<b>Top 5</b>	<b>24.8</b>



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