

Investment Update

As at 30 June 2018



Spheria Emerging Companies Limited
ACN 621 402 588

Pre-tax net tangible assets⁴
\$2.102

Company⁷ performance
(since inception)
5.1%

Company Facts

| | |
|------------------------------|---|
| Investment Manager | Spheria Asset Management Pty Limited |
| ASX Code | SEC |
| Share price | \$1.945 |
| 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 | \$129m |

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 0.3% over the month after all Portfolio expenses and Company costs including tax on realised gains. The S&P/ASX Small Ordinaries Accumulation Index rose 1.1%.

The Portfolio has done well to largely keep up with a fast rising market since its inception despite the valuation discipline that underpins the process, which means it has not owned a handful of companies that have been driving the Benchmark higher including NEXTDC (NXT.ASX), WiseTech Global (WTC.ASX), HUB24 (HUB.ASX) and Altium (ALU.ASX). These companies are now trading on historical PE's of 201x, 112x, 90x and 56x respectively. We have not witnessed these kinds of multiples since the dot-com boom. The downdraft from that boom to bust was severe with many weaker business models disappearing and the better ones taking many years to recover previous highs.

We believe at some point valuation will matter again.

Net Tangible Assets (NTA)³

| | |
|---------------------------------|---------|
| Pre-tax NTA⁴ | \$2.102 |
| Post-tax NTA⁵ | \$2.107 |

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 June 2018

| | 1m | 3m | 6m | Inception⁶ |
|------------------------------|-----------|-----------|-----------|------------------------------|
| Company⁷ | 0.3% | 3.3% | 1.8% | 5.1% |
| Benchmark⁸ | 1.1% | 7.7% | 4.7% | 7.8% |

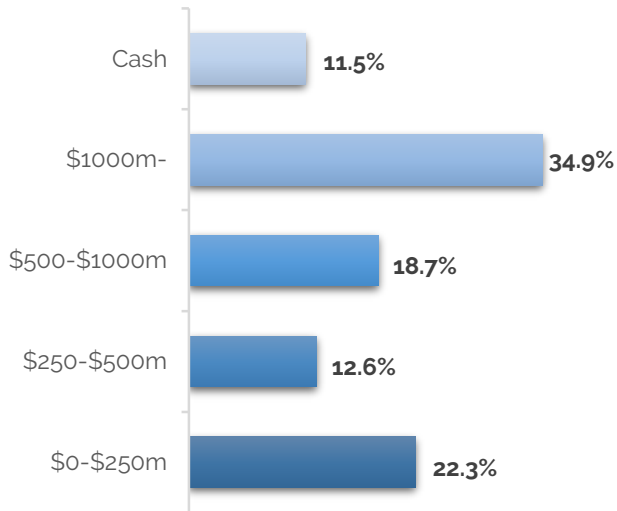
Past performance is not a reliable indicator of future performance.

⁶ Inception date is 30th November 2017

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

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

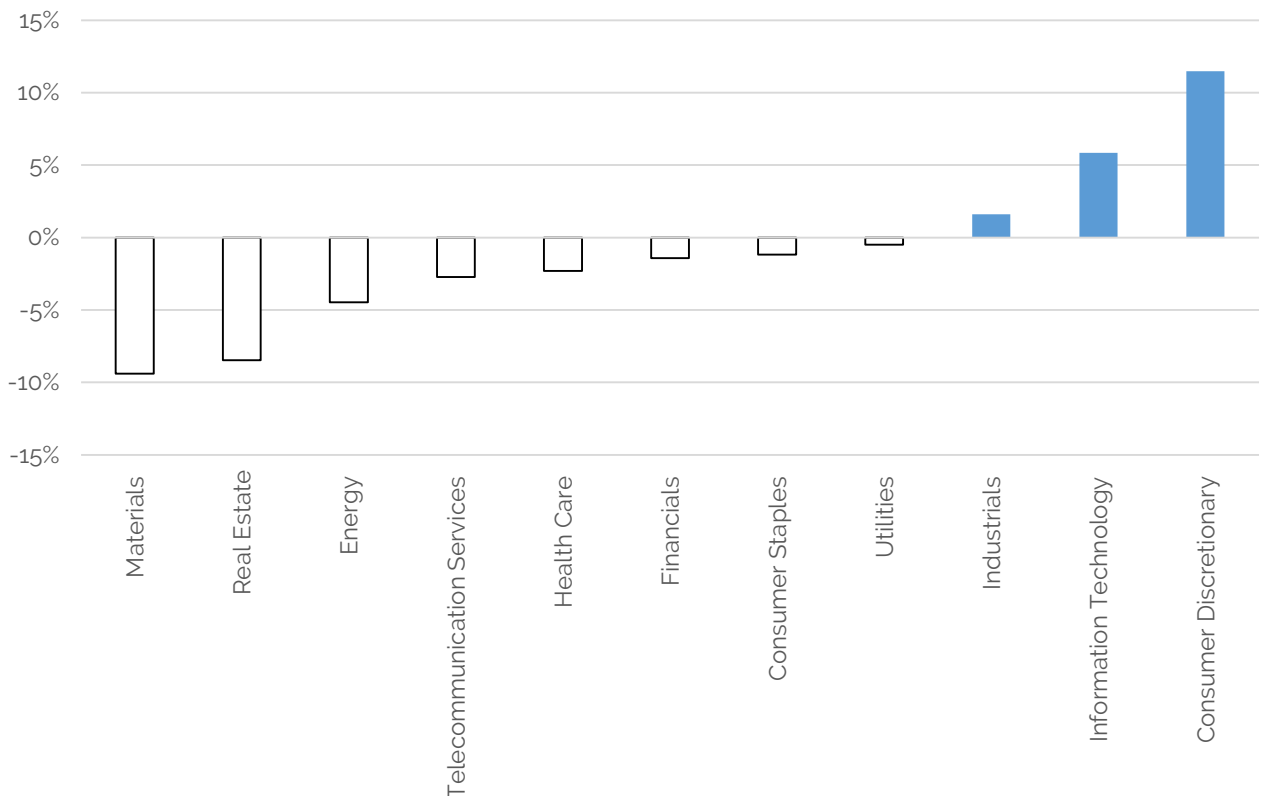
Market Cap Bands



Top 5 Holdings

| Company Name | % Portfolio |
|--------------------|-------------|
| HT&E Limited | 5.3 |
| Fletcher Building | 5.0 |
| Technology One | 5.0 |
| Monadelphous Group | 4.5 |
| Class Limited | 4.3 |
| Top 5 | 24.2 |

Active Sector Exposure



Disclaimer

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